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EMERGENCY SUPPLEMENTAL APPROPRIATIONS FOR FISCAL YEAR 1993

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Emergency Supplemental Appropriatio...

RINGS

BEFORE

SUBCOMMITTEES OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

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TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF AGRICULTURE

WITNESSES

HON. MIKE ESPY, SECRETARY OF AGRICULTURE

STEPHEN B. DEWHURST, BUDGET OFFICER, DEPARTMENT OF AGRICULTURE

OPENING REMARKS

Mr. DURBIN. We will reconvene the meeting of the subcommittee.

We are honored to be joined by the Secretary of Agriculture, Mike Espy, along with the Budget Officer for the U.S. Department of Agriculture, our friend Steve Dewhurst. Each member has before them the message from President Clinton relative to the emergency fiscal year 1993 supplemental appropriation, which is the matter that we will consider today.

As agreed to with the Secretary and the Department, we will confine our questions to the supplemental. There will be ample time for us to get together and talk about the fiscal year 1994 regular appropriation bill.

Welcome, Mr. Secretary, We are glad you at the Department and we are particularly glad you are with us today. You may proceed.

Secretary ESPY. Mr. Chairman, it is good to be with you and with each and every member of this committee once again. I do have a written statement and I will try not to confine my comments to that statement. And, if you would, I would just like to ask consent to enter the entire testimony into the record.

Mr. DURBIN. It will be entered in the record.

[CLERK'S NOTE.—Secretary Espy's biography appears on page 44. The Secretary's prepared statement appears on pages 45 through 49. The budget request appears on pages 50 through 61.]

1993 SUPPLEMENTAL FOR SHORT-TERM ECONOMIC STIMULUS

Secretary ESPY. Mr. Chairman, as I have said, it is a privilege to appear before you and this committee once again to discuss President Clinton's economic stimulus package.

We have all heard the February 17th address to the Congress. He talked in some detail but, more in generalities, about the particulars of this economic stimulus package. Of course, it is part of a three-prong approach, if you will: a deficit reduction package that reduces spending and increases revenue along with some energy taxes and user fee increases, this $30 billion or so economic stimulus package that will create about 500,000 jobs, and a more ambitious long-term investment proposal that will stimulate jobs and improve this economy.

I understand that I am going to be here tomorrow morning once again to talk more about this long-term approach and so I will speak about this economic stimulus package in particular.

It is a short-term stimulus package that relates to the job-creating aspects of USDA. This package proposes to include about $1.4 billion in additional program level. We hope that if passed it will create about 12,000 jobs immediately with about an additional 11,000 jobs created and maintained over time, particularly with regard to a lot of the watershed projects, the water and waste projects.

When we decided to embark upon this approach, Mr. Chairman, the president asked us to look over the menu of programs within each respective cabinet department and to propose those projects that would constitute a relatively quick spend-out of real tangible jobs that we could see, that we could feel, and that would have an immediate impact on our economy. We tried to do that. We did not get everything that we asked for, but I think that we certainly got a good bit.

The nation's rural areas were among and are among the hardest hit by the recession. The fiscal stimulus plan includes a number of key initiatives to provide needed assistance for the special concerns of rural America.

RURAL WATER AND WASTE DISPOSAL

Number one is this whole matter of rural water and waste disposal systems. The stimulus package includes $470 million in loans and $282 million in grants for rural water and waste disposal systems. There is a sufficient backlog of requests for such assistance to ensure that this funding can be obligated very quickly. Construction can begin soon after the obligation of this money, resulting in the creation of many new jobs in rural areas.

When the new systems are in place, more jobs will be created by new businesses that will be attracted to rural areas because of the availability of such services. Rural residents will be the primary beneficiaries of the initiatives as the new and improved systems alleviate health and safety hazards and lay the basis for further growth and development of their communities.

Mr. Chairman, allow me to say that I have been an advocate of this program the entire time I served in the Congress. It is a tragedy to me to believe that this country, the most powerful, the wealthiest country on the face of the earth, would have communities all across our land without available running water, with conditions unfortunately being compared to those existing in Cuba, Costa Rica and Nicaragua. In my former district, I can just cite to you the numbers of communities without potable, adequate, safe and healthy water. This is something I think that we can do.

Aside from the obvious benefits of water, you create jobs immediately. There is a current backlog of about $1,500 million in loan applications and about $600 million in grant applications. The stimulus package will reduce the backlog by about one-third and one-half respectively.

In terms of job creation, Mr. Chairman, about 2500 jobs are created for each $100 million in expenditures for infrastructure projects.

VERY LOW-INCOME HOUSING REPAIRS

We are also asking for an increase for very low income housing repairs. The stimulus package includes $3 million in loans and $6 million in grants for housing repairs for very low income families. Although modest in size, this additional funding will provide opportunities for improving the living conditions of these families while allowing them to remain within their own homes and their own communities. This is a self-help program and it is certainly consistent with my interest in empowerment and assistance and the movement toward asset development projects and equity projects that encourage people to lift themselves out of poverty.

These increases reflect levels that the Farmers Home Administration estimates can be obligated by the end of the fiscal year.

HOUSING LOANS

And, next, Mr. Chairman, to a program that we have talked about in some detail, an increase of $235 million in loan guarantees for single family housing. This increase will be provided for the construction of almost 4,000 new homes and create additional housing construction jobs.

Because these loan guarantees do not require any interest subsidy and because there is a relatively low risk of loss due to defaults, the cost to the Federal Government for this increase of $235 million in loan guarantees translates into about only $4 million. We think that is a great investment and we would like to pursue it.

While the program is designed to serve those who can afford to pay a commercial rate of interest for their loans, it is limited by law to families with incomes not in excess of 115 percent of median income. The economic stimulus package would provide an additional $235 million which is expected to meet the remaining demand and would be obligated again by the end of the fiscal year.

Again, the theme throughout, Mr. Chairman, is we are interested in receiving monies that will have a quick spend out rate and in creating immediate, tangible jobs in the near-term.

NATIONAL FOREST INFRASTRUCTURE

We are proposing to spend $188 million to enhance the environmental and recreational infrastructure of the national forests. Projects will include improvement of wildlife and fish habitat, upgrading recreation and trail facilities and improvement of timber stands.

In some parts of the country, work can begin immediately. In all areas, work can be completed by the end of the summer field season. While I realize that the Forest Service funds are appropriated by the Interior Subcommittee, we felt that you should at least be aware of what we are asking for within the totality of the USDA programs. It is certainly part of the rural development effort.

RESEARCH FACILITIES

This package also includes $38 million for major modernization and repair of federal agricultural research facilities, including cleanup of hazardous waste sites. These projects have already been designed, they are already on the books and ready to go. Construction can be completed over a two or three-year time period. Modern facilities will permit scientists to pursue advanced research to address high priority national issues such as food safety and development of environmentally sensitive production techniques.

WATERSHED CONSTRUCTION

We are requesting $47 million for small watershed operations and emergency watershed project repair and construction to fund projects to address emergency watershed problems resulting from natural disasters, soil erosion, sedimentation and flood damage that affect the public safety and health. Again, there is a large backlog of unfunded but planned and authorized projects. There are many projects that could be accelerated and in which funds could be obligated fairly quickly, thereby creating an immediate positive impact on jobs in rural communities.

We have a list of such projects that we could provide to the subcommittee of projects within these several states that are ready to go on the books, authorized but yet unfunded.

FOOD SAFETY

Mr. Chairman, food safety is an issue that I have been involved in from the very second of my swearing in. At the time I had the privilege of being sworn in at the White House, we had some children in Washington state who were unfortunately eating tainted hamburger meat and along the food chain this meat had been stamped USDA approved. We have been involved in this quite a bit over the last four weeks and we have a short-term focus and a long-term focus. There are things that we can do in-house and there are things that we need additional money for, which we have included in this stimulus package. We are really pleased that the President shares our concern and that he is asking for an additional $4 million to hire 160 new meat and poultry inspectors in fiscal year 1993.

As you know, adding more inspectors in and of itself will not eliminate the limitations of the current meat inspection system because, as you know, it is based on a visual examination of carcasses or an organoleptic system. We admit that visual inspection will only detect a relatively gross level of bacterial contamination. An adequate number of inspectors ensures that proper slaughter and processing procedures are followed to reduce the incidence of contamination.

The current workload is being met with extensive overtime and by putting processing inspectors on the slaughter lines. Processing facilities are inspected daily whereas every carcass is inspected at slaughter. These additional inspectors will go a long way in filling the current vacancies.

I have a lot of personal time invested in this particular request and it emanates from meetings I have had with whistleblowers. These gentlemen, and mostly men, of course, they have served on the front lines of meat inspection for decades and they have watched it through Gramm-Rudman. They have watched reductions. They have watched their overtime hours increase. They have watched the SIS, the streamlined inspection system, speed up the carcasses that they have to inspect, barely sometimes 12 seconds, they have to look at the entire carcass coming down the line. And they feel as I feel, that there is not sufficient time nor sufficient personnel to inspect even in a visual way to see the things that can be seen.

So we are asking for an additional $4 million to quickly inject into this inspection system about 160 more inspectors. Training could start immediately so that we could put inspectors at these various slaughterhouse plants again to assure the public that we have the best and safest food supply in the world.

Again, I digress and say that we understand that virulent strains of bacteria such as this E. coli could not be seen, anyway, if we had these new inspectors. However, we are not stopping with this. We have announced a series of steps to move from this visual based system to a more science based system. It is going to take a while to get there.

I hope and pray, Mr. Chairman, that within a year of announcing the solution, which is screening of the cows and the cattle at slaughter, we think we have hit upon a viable research alternative that we must fund. But we have to do some things in the meantime, put more people there to see what can be seen and then move on to finally take care of the problem.

WIC PROGRAM

We, of course, are asking for money to begin the full funding process for the WIC program. It is an incredibly important priority for this administration.

As a first step in providing the funds necessary to serve all low income women, infants and children that are eligible for the WIC program, $75 million is proposed to be added to the program in fiscal year 1993. WIC participation will increase from 5.4 million in fiscal year 1992 to about 6 million in fiscal year 1993, with up to 300,000 more new participants in September 1993.

We think that that is a pretty good beginning to fully fund this by 1996. The administration has established a target date of the end of fiscal year 1996 for WIC to serve all eligible applicants, currently estimated at 7.5 million people, and to make good on our promise of fully funding the WIC program.

TEFAP

We are also requesting $23 million for the Emergency Food Assistance Program to purchase commodities for needy low income persons in emergency distress. Not only am I in favor of this but I bring to you the greetings of Leon Panetta, our colleague of course who now heads the Office of Management and Budget. We served on the Agriculture Committee together. He is the grandfather of the TEFAP program and he certainly would like to see it continued.

The additional commodities will be purchased and allocated to states based on the number of unemployed persons and the number of persons under the poverty line. TEFAP operates through a network of largely volunteer organizations which distribute foods donated to them locally and by the Federal Government.

CHILD AND ADULT CARE FOOD PROGRAM

And lastly, Mr. Chairman, we would like to request an additional $56 million for the Child and Adult Care Food Program to pay for meals and snacks at Head Start centers for the children who we expect to enroll in the proposed summer Head Start program. We have announced an increase in that. And these are auxiliary costs associated with that request.

In summary, we were asked again to look across the range of our programs, of which there are many in agriculture as you are well aware, and pull from them those programs that can truly be called stimulative. We did not get everything we asked for. However, I think this is a really good beginning.

In total, we are asking for money that will create new jobs, tangible jobs. We think it will serve to accelerate this economic recovery we are experiencing. We ask for your support and hope that Congress will move expeditiously to enact the legislation.

Thank you for allowing me to be here, and I certainly will take questions and also offer Mr. Steve Dewhurst for questioning as well.

Mr. DURBIN. We know when Steve is here that we are all in good hands. He is the pilot light of this subcommittee. We could not operate without him. We thank him.

Mr. PASTOR. If the gentleman would yield.

Mr. DURBIN. I would be happy to yield.

Mr. PASTOR. Even when he is offered up as a sacrifice.

Mr. DURBIN. That is right.

Mr. Secretary, let me tell you in all seriousness, I wholeheartedly endorse what you are here today presenting. I represent a rural area, as you did. I know what the people in those small town settings need and are asking for, what the mayors come and talk to you about——

Secretary ESPY. Yes.

HOUSING LOANS

Mr. DURBIN [continuing]. When you go visit folks in their homes, what they are concerned about. And you have touched on so many aspects of it with this package. There are many of your critics out there who will suggest that this is unnecessary. But they have not been out to visit small town America to see the real problems faced by real people.

The Farmers Home Administration guaranteed loan program may be one of the best investments that the federal government is making. We can leverage $4 million into $235 million worth of construction.

Secretary ESPY. Yes.

Mr. DURBIN. That is amazing. There was a day when we could not get near that. This is a good program and I am happy to see that you are expanding it.

I know of your personal commitment to the very low income people living in rural areas. You developed a national reputation for that long before you were named the Secretary of Agriculture. I am glad to see that you have not forgotten your roots, and I am sure you will not.

Secretary ESPY. Thank you.

Mr. DURBIN. The efforts through the Soil Conservation Service, we know, come springtime, will be even more challenging. As the spring rains create more problems for us to deal with, I think that money is well invested.

On the proposal for rural water and waste disposal grants, time and again you go to small communities and the people, the city council, the village mayors, and the like will tell you that is what they need help with. They cannot do it alone. I am glad to see that this Administration is willing to stand by them.

On the human side of the equation, I think that you have a number of cheerleaders on this subcommittee for the WIC program. We are happy to see that you are moving toward the full funding goal. It is a program that has proven itself to be a valuable investment of federal tax dollars.

I might also say that Head Start is a program funded under another committee, but the child and adult care feeding program allows us to help the Head Start program. We know it works. What we have got to do is get more kids in it, and get them in for as long as we possibly can, with their parents, so that the program can have its maximum effect. With this supplemental request for child care feeding, we will be able to provide some snacks and lunches for kids in Head Start during the summer months.

FOOD SAFETY

Now let me ask you a couple of questions about a couple of other aspects of your supplemental budget. On food safety inspection, I think that we will save for another day our mutual concern about the future of this agency, particularly meat inspection.

I have spoken to you and I have spoken to Dr. Cross and others. I know that you are genuinely concerned about improving the quality of the work being done there so that American consumers have no fear that the meat that comes across their table or that they buy in a restaurant is wholesome and nutritious. We will work on that together.

Specifically though, you are requesting $4 million to fund 160 additional Federal meat and poultry inspectors.

How soon do you think you can bring 160 additional personnel on line and do you have a pool of people available for hire?

Secretary ESPY. Thank you, Mr. Chairman.

We have about 550 vacancies around the country. These vacancies have increased over time, of course. I am not here to blame anyone. However, the fact is obvious, that we need some more inspectors on the line.

As to how many of the 160 would start training immediately, I turn to Steve to answer that question.

Mr. DEWHURST. I think that at the Secretary's instructions the Food Safety Inspection Service has already set the federal personnel system in motion to hire these people. The 160 is consistent with the number that they have advised us that they can get on board fairly rapidly. Either bring up folks who are available with some experience, or bring on folks that they have to train.

The budget in effect provides about $25,000 per individual for the last several months of this year. Some of that money would go to training, and the majority of it would go to salaries.

The process is already under way. And all I can say is that the intent is to bring them on just as quickly as the system can move and the money is appropriated.

Secretary ESPY. If I could add to that, Mr. Chairman. We would think, and do not hold me to it, but if we were to get this money fairly quickly, we think that we could have them all on by May, by mid-May, assigned to these federally inspected plants having already been trained.

Mr. DURBIN. The number 160, I think, would probably depend on how quickly they come on board. As I understand it, 160 is based on start-ups as early as April 1st. If they started a little later, I assume that you could possibly hire more individuals.

Is that your intention, or what are you thinking?

Secretary ESPY. Well, we intend to hire all 160 pretty quickly, to be honest. Whether or not the other areas of the budget would be approved by then concerning user fee increases and those kinds of things, then we could apply those savings. They would constitute savings to us into perhaps the hiring of even more inspectors.

Mr. DURBIN. Does the $4,000,000 include the cost of training these additional inspectors?

Secretary ESPY. Yes. Of the $4,000,000, approximately $500,000 would be used to train the additional inspectors.

Mr. DURBIN. What will be the cost of these additional 160 inspectors during fiscal year 1994? Will it be $8,000,000 and will that amount be built into your 1994 request?

Secretary ESPY. Yes. The Department's 1994 request will include $8,000,000 for the 160 additional inspectors hired in 1993.

WIC PROGRAM

Mr. DURBIN. Let me ask you about the WIC program, if I might. Your hope is that by asking for this additional money, $75 million, you can bring in an additional 300,000 participants, bringing the total participation level up to 6.0 million by the end of this fiscal year.

Can you tell me, are there different categories of eligible participants under the WIC program? Certainly pregnant women and infants are the highest priority. Are we going to target any of this money toward those high priority categories, or do you have a priority system that you will use with this supplemental?

Mr. DEWHURST. Well, the basic priority system that the agency uses, of course, targets women and then infants. And a large majority of those folks are already in the program. My understanding is that they will apply the same priorities. But what will happen, because we are now moving to where we can expand the program, many of the new entrants will be children between the ages of one and four. And that is where you will find the greatest increase as a result of this addition.

Secretary ESPY. And just to add. I spoke earlier this morning in the Education and Labor Subcommittee. We talked about ways again that we can leverage this morning to reach out to the eligible clients, if you will. We have offered our services over at USDA to anyone and everyone interested in this outreach area, to come to our basement and to avail themselves of our communications facilities to create the PSA announcements, which in turn could run free time on radio to instruct all those who would care to listen that this is available. And that will not cost anything to do that.

Mr. DURBIN. I might say that it is interesting that your supplemental has addressed an item which I was discussing a couple of weeks ago in a children's conference sponsored by the Urban Institute. We have a variety of nutrition programs in the Federal Government. It is not clear to me that they have been coordinated. There are gaps in them. An infant who is no longer a part of the WIC program may not participate in the Head Start program for several years.

Secretary ESPY. Right.

Mr. DURBIN. There are gaps in those programs. A child might become part of a school lunch program and may ultimately become part of a food stamp program. I think that what we are moving towards here with this supplemental is coordinating programs to make sure that we help that child during all of the important early years.

Secretary ESPY. It is, as you say, the gateway through which children move in the health arena. Not only, of course, do we save in Medicaid expenses—again, as you know, for every dollar we spend on WIC, in a prenatal context, we save at least $3 in reduction in Medicaid expenses. So we can immediately impact the cost to the federal government by this.

But also, it is sort of a screening mechanism. That once the child is born, then you can determine whether or not the child has been or in need of immunization. You can do so many other things by the time that the child becomes four or five years old within the health care arena.

So we think that it is a really good gateway, and a very necessary expense.

WIC SAVINGS ON 1 TO 4 YEAR OLDS

Mr. DURBIN. Do you have any information to lead you to believe that you would get a similar return on children ages 1 through 4 and postpartum women?

Secretary ESPY. We believe that the 3 to 1 benefits for pregnant women and infants is a somewhat conservative figure because it looks only at Medicaid savings during the first 60 days after birth. USDA has not conducted similar research for children. However, we believe that the benefits for older children, those from ages 1 through 4 will be somewhat less, although the investment is amply worth making. Note also that the increases in Head Start will help 3 to 5 year olds below 100 percent of poverty, many of whom will be on WIC.

WIC INCREASES BY RECIPIENT TYPE

Mr. DURBIN. What percent of pregnant women and infants is presently covered and what percent will be covered with the additional $75,000,000?

Secretary ESPY. A very high percentage of pregnant women and infants are covered by the program currently, because they are given the highest priorities. There are surely areas in which the WIC program can increase the number of persons in these categories, and I know the States will try as hard as they can to do that. As you point out, this is where the largest benefit is thought to be. Even if we had more time to work this out, I doubt that I could give you a very meaningful estimate of the incremental impact this money will have on specific categories of WIC participants in fiscal year 1993. The fact is, the States do a good job with this program and they will bring in the people who they can reach and who need the help the most.

ELIGIBLE POPULATION

Mr. DURBIN. In your statement you say that the $75,000,000 will provide for up to an additional 300,000 participants, bringing the total participation level to 6,000,000 by the end of fiscal year 1993. You also state the total eligible population is currently estimated at 7,500,000. This increase would provide coverage for 80 percent of the people eligible for the WIC program. In the past, the Department is on record as saying that the program was only serving 55 percent of those eligible. How do you explain this difference?

Secretary ESPY. The 300,000 is based on simple math. With WIC recipients costing about $41 per person per month in 1993, the $75 million would support 300,000 for the remaining 6 months of the year. I could speculate about how this increase would be phased up, that it will start lower than the 300,000 and end up higher, but the long and the short of it is that we will get about 300,000 more people. Also, it is important that the States use this money in fiscal year 1993. This will increase the sales of food and strengthen the jobs picture, which is part of the stimulus. The States need these funds soon to allow them to begin adding new participants.

With poverty rates and birth rates changing, the total number of eligibles fluctuates and appears headed down a bit in coming years according to CBO. USDA's most recent estimates indicate that in

1991 there were about 8.6 million women, infants, and children eligible for WIC. USDA estimates that if WIC were fully funded about 7.5 million persons, or 87 percent would participate in WIC. We are committed to helping all eligibles that will accept assistance by the end of 1996, whatever the number is.

USE OF WIC $75 MILLION SUPPLEMENTAL

Mr. DURBIN. The justification material provided to the Committee states that the $75,000,000 will be used towards serving additional postpartum women and children but primarily for children in the 1 to 4 age group. Is this correct?

Secretary ESPY. Yes. Since WIC already serves most of the eligible pregnant women and infants, the largest group that is unserved at this time is children from 1 to 4 years of age. Consequently we anticipate that most new participants will be from the 1 to 4 year old group.

WIC COORDINATION WITH CSFP

Mr. DURBIN. The commodity supplemental food program provides commodities to the same category of individuals as WIC, except there is no nutritional risk eligibility component. Those recipients that cannot be served by WIC are referred to the commodity supplemental food program. As we serve more and more recipients under the WIC program, we should see less of a need under the commodity supplemental food program. Will your 1994 budget request reflect this change?

Secretary ESPY. I agree with your basic hypothesis. However, we believe that this will not be a problem in 1994. We will need to look at this closely in 1994 and beyond, of course, because WIC will soon be full funded.

WIC REQUEST BILL LANGUAGE

Mr. DURBIN. We see that your requested bill language proposes to limit participation to those eligible as of January 1, 1993. Can you explain to us the purpose of this language and what the impact is?

Secretary ESPY. This language was inserted to make it clear that the States were not going to be encouraged to liberalize their eligibility criteria to use the 1993 stimulus supplemental. What we want to see is for unserved eligibles under the current criteria to get the direct benefit of WIC.

WIC REQUEST WAIVER LANGUAGE

Mr. DURBIN. Your language also includes a provision which would allow the Secretary to waive regulations governing the allocation of funds. I can understand the need to waive these regulations if the funds were to be used by the end of fiscal year 1993, but your language allows this $75,000,000 to remain available through September 30, 1994. What is the purpose of this language?

Secretary ESPY. Our intention is to use the existing formula for the initial allocation of the funds provided in the stimulus package. However, there is a possibility that strict use of the formula in every instance would prevent us from making the most effective possible use of the funds during the current fiscal year. For instance, current regulations limit the growth of the program in any individual State to a level which cannot exceed 15 percent above the prior year's funding level. There are a number of States where strict application of the limit might prevent us from allocating the funds to serve the greatest possible number of eligible individuals. Further, there may be some States which may not need the full increase they would get under the normal formula. As I said, we intend to use the current formula for the initial allocation but we would appreciate receiving flexibility so that we can deal with the need for exceptions on a common sense basis.

On the question of the duration of the funding, our intention is to use the $75,000,000 during the current fiscal year. However, this stimulus appropriation is the first installment on our commitment to fully fund the WIC Program by the end of 1996. If for any reason there are funds left over at the end of the year, it would seem wise for them to carry forward for use in meeting our longer term commitment.

Mr. DURBIN. The formula used to allocate funds is established in regulations which you can change at any time. Why do you need this bill language?

Secretary ESPY. While it is true that the formula used to allocate funds is established in regulations, and the Department could change those regulations, to do so would require a potentially lengthy rulemaking procedure under the Administrative Procedures Act. Under the circumstances, we believe that the best way to get this money where it is needed most is for Congress to provide USDA with the temporary authority to waive the allocation regulations for this supplemental appropriation.

EFFECTS ON 1994 WIC ALLOCATIONS

Mr. DURBIN. If we were to agree with this language, how would the distribution of these funds affect the States' 1994 allocations?

Secretary ESPY. The language would allow us to waive the allocation procedure for this additional $75,000,000 only. The formula would bind allocations for 1994 with no changes unless we change it through regulatory procedures. Of course, since base participation would be raised in 1993, and maintenance of the base is considered in the allocation formula, States would be assured of adequate funds to support the program in 1994.

USE OF ADDITIONAL WIC FUNDS IN 1993

Mr. DURBIN. As you know, Mr. Secretary, the wheels of Congress and the wheels of the bureaucracy don't always churn at warp speed. Under the best scenario, Congress would pass a law appropriating an additional $75,000,000 for WIC and send it to the President around the first of April. OMB and the Department would not make allocations to the States until the latter part of April or early May. That means that local WIC clinics would not receive money until around the first of June. With an increase in funds, some WIC clinics would probably have to hire new medical technicians for the screening of new applicants and then recruit these new applicants. In those cases where that is true, the ability to use the funds and bring on new applicants would not occur until extremely late in the year. What assurances do you have that any of these funds could be used properly and quickly during fiscal year 1993?

Secretary ESPY. If the Department is permitted to waive its regulations, we are confident that we will be able to quickly channel these additional funds to States in the greatest need as well as those most able to readily utilize them. We will do so without sacrificing program integrity or lowering WIC's high standards for the delivery of nutrition benefits. However, if we are subjected to allocating these additional funds based on the funding formula contained in the regulations, we cannot assure you that the $75,000,000 will be allocated to the States in the best position to utilize it during fiscal year 1993. In any event, the Food and Nutrition Service will work closely with its State agencies to develop plans to accommodate new participants. I have confidence in all levels of the WIC program.

THE EMERGENCY FOOD ASSISTANCE PROGRAM (TEFAP)

Mr. DURBIN. The $23,481,000 in commodities purchased by USDA would be distributed to the States based on the number of unemployed persons and the number of persons under the poverty line. Is this different from the way commodities are currently distributed to States?

Secretary ESPY. No. The commodities purchased with the supplemental appropriation will be allocated on the same statutory formula used for allocating all TEFAP commodities. We do not anticipate making any changes at this time.

TEFAP ELIGIBILITY

Mr. DURBIN. These commodities, in turn, are distributed bv food banks within the states. To what extent does the Department attempt to verify that the individuals receiving food distributed under this program are in fact unemployed or have incomes below the poverty line?

Secretary ESPY. TEFAP is a program designed to provide help to families and households in situations of emergency or distress. As such, we are under a statutory mandate to keep paperwork burdens to a minimum. Nevertheless, USDA regulations require that States establish financial criteria for determining the eligibility of households to receive TEFAP commodities. This criteria must enable the State to ensure that only households in need of food assistance because of inadequate household income receive commodities. For example, many TEFAP outlets accept a household's AFDC or Food Stamp Program authorization as proof of need.

TEFAP STORAGE COSTS

Mr. DURBIN. Commodities purchased with this additional $23,481,000 will be purchased during fiscal year 1993, but not distributed to the states until the first quarter of fiscal year 1994. What will it cost the Federal Government to store these commodities between now and when they are distributed?

Secretary ESPY. Typically commodities purchased for TEFAP are purchased with a delivery date and a specific destination built into the contract. Consequently, USDA incurs very few actual TEFAP storage costs.

TYPES OF TEFAP COMMODITIES TO BE PURCHASED

Mr. DURBIN. What types of commodities will be purchased? Which states will get these commodities and how much will each receive?

Secretary ESPY. I am not sure what types of commodities we will purchase, however, our recent purchases give some indication of likely future purchases. I know our fiscal year 1993 plans call for the purchase of a variety of commodities with about a third as peanut butter, another third in canned pork, and smaller quantities of fruits, vegetables, grains and legumes. Because market availability, price, and program need all influence USDA purchasing decisions, we cannot commit to the purchase of any specific product at this time. All states will receive their fair share of the commodities, based on the statutory formula that takes into account each State's number of unemployed and persons below the poverty line.

NUMBER OF FOOD BANKS IN TEFAP

Mr. DURBIN. For each of those states, approximately how many food banks are receiving TEFAP commodities?

Secretary ESPY. Because USDA delivers commodities to State Distributing Agencies, we do not have exact figures on the number of food banks that are receiving TEFAP commodities. The States are in the best position to determine where commodities are most needed and what sorts of organizations can best distribute them. TEFAP is a program that allows each State latitude in determining intra-state allocations.

ARS BUILDINGS AND FACILITIES

Mr. DURBIN. You are requesting $37,569,000 for building repair and maintenance work at Federal research laboratories of the Agricultural Research Service. Are you able to tell the Committee where you anticipate using these funds? For example, will this money be primarily for the four Regional Laboratories and Beltsville or will it be available for all ARS laboratories throughout the country?

Secretary ESPY. Mr. Chairman, I understand that the Agricultural Research Service has identified a number of high priority laboratory facility projects for modernization, construction, and repair that are ready to go. This portion of the supplemental amounts to $34,569,000. In addition, $3 million is requested for hazardous waste cleanup at ARS facilities. I will provide these locations for the record.

[The information follows:]

Beltsville, Maryland: Beltsville Agricultural Research Center—Modernization	$10,000,000
Greenport, New York: Plum Island Animal Disease Center—Modernization	2,569,000
Ames, Iowa: National Animal Disease Center—Construction of replacement incinerator and Necropsy facility	3,900,000

Peoria, Illinois: National Center for Agricultural Utilization Research—Modernization of Pilot Plant	13,200,000
Albany, California: Western Regional Research Center—Modernization	500,000
District of Columbia: U.S. National Arboretum—Replacement of Waterline System	2,000,000
Miscellaneous Locations: Repair and maintenance of facilities	2,400,000
Total	34,569,000

Mr. DURBIN. What criteria was used in allocating the proposed funds?

Secretary ESPY. The allocation of the proposed funds for ARS facilities was based on high priority needs identified by the Agency. Funds identified for modernization and construction projects at specific locations will permit ARS to proceed with projects which have already been designed. ARS will allocate the $2.4 million identified for repair and maintenance at miscellaneous locations based on needs identified by location and area office managers. Headquarters Facility Management and Program staffs will review proposals to direct funds to the highest priority needs.

Mr. DURBIN. We also note that you intend to cleanup hazardous waste sites. We would note that report language for the fiscal year 1993 Appropriations Act provides funds in the hazardous waste account and suggests that agencies do only minor work within agency budgets. You are proposing to spend $3,000,000 of the $37,569,000 you are requesting for hazardous waste cleanup. Specifically, at which sites will these funds be used?

Secretary ESPY. I understand that of the $37,569,000 designated for the Agricultural Research Service, $3,000,000 will be allocated for remediation of hazardous waste problems at various research sites. The Beltsville Research Center will receive $2,000,000 for the removal of underground storage tanks. The Plum Island Animal Disease Center will also receive $500,000 for removal of underground storage tanks. The remaining $500,000 will be distributed to several Federal research locations for hazardous waste cleanup and removal operations.

WATERSHED AND FLOOD PREVENTION OPERATIONS

Mr. DURBIN. You are requesting $46,961,000 for watershed and flood prevention operations. Part of these funds will go for emergency watershed repair work. What is the current backlog in emergency repair work, by state?

Secretary ESPY. Serious flooding and erosion has occurred in Arizona, California, and New Mexico as a result of heavy rains in January and February of this year. Arizona has identified $15 million in immediate emergency watershed protection needs; California, $5 million; and New Mexico, $1 million.

Mr. DURBIN. It is anticipated that those funds not used for emergency watershed repair work will be used to provide financial assistance to local communities to proceed with planned works of improvement on approved small watershed projects intended to enhance natural resource protection while increasing employment. We know that emergency repair work results from natural disasters that occur, including hurricanes, heavy rains, and flooding. Springtime has notoriously been associated with heavy rains and flooding across the country. Do you plan to wait to see what the upcoming spring season will bring in terms of additional emergency work before you obligate the entire $46,961,000?

Secretary Espy. No, we will not wait for the upcoming spring season but will seek to obligate the entire $46,961,000 as quickly as possible in hopes of creating an immediate economic impact in the rural communities so hard hit by the poor economy. In so doing, we will try and address the most serious of the emergency watershed work that is currently part of the backlog. If additional emergency funds are needed this spring, we may consider requesting the release of the $12,000,000 balance of the $62,000,000 supplemental emergency appropriation.

Mr. Durbin. If you have $21 million in identified emergency watershed repair work and $12 million already appropriated for this work that could be made available immediately by an official request to the Congress, why not reduce this request by $12 million and release the already appropriated funds?

Secretary Espy. Our basic objective is to stimulate the economy and create jobs. As you know, there is more than enough in our backlog of authorized but unfunded watershed projects to constructively use the entire $46,961,000 toward this objective. If a decision is made to release the remaining $12 million from the previous supplemental, it would be used for emergency work over and above the amount included in the stimulus package.

Mr. Durbin. What is the level of approved but unfunded small watershed projects where construction can begin immediately with the obligation of funds?

Secretary Espy. SCS currently has requests from states for FY 1993 for $300 million for installing works of improvement in the Small Watershed Program. With FY 1993 appropriated funds, we will be able to fund approximately half of this work, leaving roughly $150 million of work unfunded. We are confident that at least $50 million of this unfunded work could be obligated fairly quickly.

Mr. Durbin. How will the funds not used for emergency repair work be allocated to the states?

Secretary Espy. The funds not used for emergency repair work would be used to accelerate work on existing small watershed projects which are partially constructed. The work would consist of installing land treatment and structural measure for watershed protection and flood prevention such as terraces, grass waterways, and dams. Those projects where the sponsors have work ready for immediate installation would receive first priority for funding.

GUARANTEED SINGLE FAMILY HOUSING LOANS

Mr. Durbin. You are requesting funds for an additional $234,805,000 in guaranteed single family housing loans. How much of the $329,500,000 already appropriated for fiscal year 1993 has been obligated so far?

Secretary Espy. Approximately 63 percent of the funds, $194 million has been obligated to date.

Mr. Durbin. How many states have exceeded their allocation?

Secretary Espy. Mr. Chairman, 26 states have exhausted their allocation.

Mr. DURBIN. How will these funds be allocated to the states? How much will be held in Washington for reserve?

Secretary ESPY. The funds will be allocated according to the formula, specified in law, taking into account the percentage of rural population in each state and the extent of rural poverty. Each state will receive an allocation. For your information, I will submit a table showing a preliminary allocation of the funds requested in the economic stimulus package.

As to how much will be held in reserve, the reserve established for the 1993 appropriation is about 7 percent. I anticipate the same percentage of the supplemental funds will be held in reserve.

[The information follows:]

FARMERS HOME ADMINISTRATION
FISCAL YEAR 1993 ALLOCATION IN THOUSANDS
SECTION 502 GUARANTEED LOANS (NONSUBSIDIZED)

40L92guar.ss 10/28/91 STATES	STATE BASIC FORMULA FACTOR	STATE BASIC FORMULA ALLOCATION	BASE/ ADMINISTRATIVE ALLOCATION	TOTAL FY 1993 ALLOCATION
ALABAMA	0.0264299	5,643	0	5,643
ALASKA	0.0043973	939	0	939
ARIZONA	0.0109329	2,334	0	2,334
ARKANSAS	0.0207398	4,428	0	4,428
CALIFORNIA	0.0446289	9,528	0	9,528
NEVADA	0.0024469	522	0	522
COLORADO	0.0102285	2,184	0	2,184
DELAWARE	0.0026144	558	0	558
MARYLAND	0.0122623	2,618	0	2,618
FLORIDA	0.0283472	6,052	0	6,052
GEORGIA	0.0371454	7,931	0	7,931
HAWAII	0.0046773	999	0	999
W. PACIFIC AREAS	N/A	N/A	750	750
IDAHO	0.0071037	1,517	0	1,517
ILLINOIS	0.0312057	6,662	0	6,662
INDIANA	0.0263101	5,617	0	5,617
IOWA	0.0173073	3,695	0	3,695
KANSAS	0.0129495	2,765	0	2,765
KENTUCKY	0.0316108	6,749	0	6,749
LOUISIANA	0.0236853	5,057	0	5,057
MAINE	0.0114962	2,454	0	2,454
MASSACHUSETTS	0.0149398	3,190	0	3,190
CONNECTICUT	0.0084190	1,797	0	1,797
RHODE ISLAND	0.0018832	402	0	402
MICHIGAN	0.0356793	7,618	0	7,618
MINNESOTA	0.0198629	4,241	0	4,241
MISSISSIPPI	0.0235997	5,039	0	5,039
MISSOURI	0.0249668	5,330	0	5,330
MONTANA	0.0058327	1,245	0	1,245
NEBRASKA	0.0077413	1,653	0	1,653
NEW JERSEY	0.0112512	2,402	0	2,402
NEW MEXICO	0.0088454	1,888	0	1,888
NEW YORK	0.0394222	8,417	0	8,417
NORTH CAROLINA	0.0490401	10,470	0	10,470
NORTH DAKOTA	0.0046627	995	0	995
OHIO	0.0419458	8,955	0	8,955
OKLAHOMA	0.0165794	3,540	0	3,540
OREGON	0.0162509	3,470	0	3,470
PENNSYLVANIA	0.0510888	10,907	0	10,907
PUERTO RICO	0.0259112	5,532	0	5,532
SOUTH CAROLINA	0.0250675	5,352	0	5,352
SOUTH DAKOTA	0.0062167	1,327	0	1,327
TENNESSEE	0.0293258	6,261	0	6,261
TEXAS	0.0518594	11,073	0	11,073
UTAH	0.0040138	857	0	857
VERMONT	0.0058837	1,256	0	1,256
NEW HAMPSHIRE	0.0073375	1,567	0	1,567
VIRGIN ISLANDS	N/A	N/A	750	750
VIRGINIA	0.0304690	6,505	0	6,505
WASHINGTON	0.0185263	3,955	0	3,955
WEST VIRGINIA	0.0191611	4,091	0	4,091
WISCONSIN	0.0239392	5,111	0	5,111
WYOMING	0.0037582	802	0	802
STATE TOTALS	1.0000000	213,500	1,500	215,000
GENERAL RESERVE				20,000
DESIGNATED RESERVE				0
TOTAL				235,000

NEW HOME CONSTRUCTION

Mr. **Durbin**. You have indicated that this will provide for the construction of almost 4,000 new homes. Do you know how many jobs this will create?

Secretary **Espy**. If, 50 percent of the funds are used in the construction of new homes, about 900 jobs will be created and these, primarily, will be in the construction trades. Loans made for the purchase of existing homes will not have the same effect.

VERY-LOW INCOME HOUSING REPAIR GRANTS

Mr. **Durbin**. You are requesting $2,818,000 in loan authority and $5,635,000 in grant authority for very low-income housing repair grants. What is the current backlog in the way of applications for these loans and grants at the present time?

Secretary **Espy**. The current backlog is estimated to be about $40 million in each program.

Mr. **Durbin**. Do you know which states will receive funds and how much?

Secretary **Espy**. All states will receive funds in the initial allocation. FmHA is required, by law, to allocate funds to each state. However, during the fiscal year, FmHA will reallocate funds based on usage and demand for the funds. For your information I will submit a preliminary allocation of the amount requested in the economic stimulus package.

[The information follows:]

FmHA Instruction 1940-L
Exhibit A, Attachment 2
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FARMERS HOME ADMINISTRATION
FISCAL YEAR 1993 ALLOCATION IN THOUSANDS
SECTION 504 RURAL HOUSING LOANS

STATES	STATE BASIC FORMULA FACTOR	STATE BASIC FORMULA ALLOCATION	ADMINISTRATIVE ALLOCATION	TOTAL FY 1993 ALLOCATION
ALABAMA	0.0320885	91	N/A	91
ALASKA	0.0054368	15	N/A	15
ARIZONA	0.0128086	36	N/A	36
ARKANSAS	0.0233933	66	N/A	66
CALIFORNIA	0.0382217	109	N/A	109
NEVADA	0.0020080	6	N/A	6
COLORADO	0.0082739	23	N/A	23
DELAWARE	0.0023322	7	N/A	7
MARYLAND	0.0110190	31	N/A	31
FLORIDA	0.0255397	73	N/A	73
GEORGIA	0.0398597	113	N/A	113
HAWAII	0.0043287	12	N/A	12
W. PACIFIC AREAS	N/A	N/A	150	150
IDAHO	0.0065869	19	N/A	19
ILLINOIS	0.0278284	79	N/A	79
INDIANA	0.0247710	70	N/A	70
IOWA	0.0160166	45	N/A	45
KANSAS	0.0121380	34	N/A	34
KENTUCKY	0.0386225	110	N/A	110
LOUISIANA	0.0287658	82	N/A	82
MAINE	0.0102204	29	N/A	29
MASSACHUSETTS	0.0099047	28	N/A	28
CONNECTICUT	0.0052081	15	N/A	15
RHODE ISLAND	0.0012330	4	N/A	4
MICHIGAN	0.0312370	89	N/A	89
MINNESOTA	0.0199865	57	N/A	57
MISSISSIPPI	0.0293627	83	N/A	83
MISSOURI	0.0253770	72	N/A	72
MONTANA	0.0057082	16	N/A	16
NEBRASKA	0.0076341	22	N/A	22
NEW JERSEY	0.0073155	21	N/A	21
NEW MEXICO	0.0108461	31	N/A	31
NEW YORK	0.0291709	83	N/A	83
NORTH CAROLINA	0.0510866	145	N/A	145
NORTH DAKOTA	0.0046131	13	N/A	13
OHIO	0.0380786	108	N/A	108
OKLAHOMA	0.0186377	53	N/A	53
OREGON	0.0133992	38	N/A	38
PENNSYLVANIA	0.0426964	121	N/A	121
PUERTO RICO	0.0391381	111	N/A	111
SOUTH CAROLINA	0.0275555	78	N/A	78
SOUTH DAKOTA	0.0060846	17	N/A	17
TENNESSEE	0.0337289	96	N/A	96
TEXAS	0.0610594	175	N/A	175
UTAH	0.0039662	11	N/A	11
VERMONT	0.0042757	12	N/A	12
NEW HAMPSHIRE	0.0053276	15	N/A	15
VIRGIN ISLANDS	N/A	N/A	10	10
VIRGINIA	0.0341693	97	N/A	97
WASHINGTON	0.0157597	45	N/A	45
WEST VIRGINIA	0.0218476	62	N/A	62
WISCONSIN	0.0218587	62	N/A	62
WYOMING	0.0034736	10	N/A	10
STATE TOTALS	1.0000000	2,840	160	3,000
GENERAL RESERVE				0
DESIGNATED RESERVE				0
TOTAL				3,000

FARMERS HOME ADMINISTRATION
FISCAL YEAR 1993 ALLOCATION IN THOUSANDS
SECTION 504 RURAL HOUSING GRANTS

STATES	STATE BASIC FORMULA FACTOR	STATE BASIC FORMULA ALLOCATION	ADMINISTRATIVE ALLOCATION	TOTAL FY 1993 ALLOCATION
ALABAMA	0.0297816	174	N/A	174
ALASKA	0.0038921	23	N/A	23
ARIZONA	0.0115529	67	N/A	67
ARKANSAS	0.0232959	136	N/A	136
CALIFORNIA	0.0377267	220	N/A	220
NEVADA	0.0018926	11	N/A	11
COLORADO	0.0080619	47	N/A	47
DELAWARE	0.0023480	14	N/A	14
MARYLAND	0.0107800	63	N/A	63
FLORIDA	0.0291888	170	N/A	170
GEORGIA	0.0366853	214	N/A	214
HAWAII	0.0036226	21	N/A	21
W. PACIFIC AREAS	N/A	N/A	150	150
IDAHO	0.0064993	38	N/A	38
ILLINOIS	0.0312183	182	N/A	182
INDIANA	0.0260900	152	N/A	152
IOWA	0.0192762	112	N/A	112
KANSAS	0.0147368	86	N/A	86
KENTUCKY	0.0345704	202	N/A	202
LOUISIANA	0.0259028	151	N/A	151
MAINE	0.0104030	61	N/A	61
MASSACHUSETTS	0.0119195	69	N/A	69
CONNECTICUT	0.0063162	37	N/A	37
RHODE ISLAND	0.0014107	8	N/A	8
MICHIGAN	0.0327229	191	N/A	191
MINNESOTA	0.0220310	128	N/A	128
MISSISSIPPI	0.0265367	155	N/A	155
MISSOURI	0.0276682	161	N/A	161
MONTANA	0.0057317	33	N/A	33
NEBRASKA	0.0093409	54	N/A	54
NEW JERSEY	0.0091097	53	N/A	53
NEW MEXICO	0.0090645	53	N/A	53
NEW YORK	0.0330185	192	N/A	192
NORTH CAROLINA	0.0479670	280	N/A	280
NORTH DAKOTA	0.0051797	30	N/A	30
OHIO	0.0390236	228	N/A	228
OKLAHOMA	0.0195661	114	N/A	114
OREGON	0.0141739	83	N/A	83
PENNSYLVANIA	0.0481306	281	N/A	281
PUERTO RICO	0.0315208	184	N/A	184
SOUTH CAROLINA	0.0246543	144	N/A	144
SOUTH DAKOTA	0.0065659	38	N/A	38
TENNESSEE	0.0319241	186	N/A	186
TEXAS	0.0597188	346	N/A	346
UTAH	0.0037456	22	N/A	22
VERMONT	0.0046306	27	N/A	27
NEW HAMPSHIRE	0.0057672	34	N/A	34
VIRGIN ISLANDS	N/A	N/A	20	20
VIRGINIA	0.0311590	182	N/A	182
WASHINGTON	0.0158753	93	N/A	93
WEST VIRGINIA	0.0203827	119	N/A	119
WISCONSIM	0.0243713	142	N/A	142
WYOMING	0.0032478	19	N/A	19
STATE TOTALS	1.0000000	5,830	170	6,000
GENERAL RESERVE				0
DESIGNATED RESERVE				0
TOTAL				6,000

FUNDS OBLIGATED

Mr. DURBIN. Of the funds appropriated for fiscal year 1993, how much has been obligated to date?

Secretary ESPY. The most recent information on obligations shows that $4.2 million in loans and $6.3 million in grants has been obligated to date.

WATER AND SEWER LOANS AND GRANTS

Mr. DURBIN. You are requesting $470,000,000 in loan authority and $281,767,000 in grant funds for the water and sewer program. How much of the fiscal year 1993 funds have been obligated to date and how much remains available for obligation?

Secretary ESPY. To date RDA has obligated about $226 million of the $600 million appropriated for loans and about $173 million of the $390 million appropriated for grants. This leaves an unobligated balance of $374 million in loans and $217 million in grants. However, I would point out that this is the time of the year, beginning of the construction season, when the obligation rate accelerates.

Mr. DURBIN. What is the current backlog for the loan and grant funds?

Secretary ESPY. The current backlog is about $1.5 billion for loans and $600 million for grants. The funds requested in the Economic Stimulus will reduce the backlog by approximately one-third and one-half, respectively.

Mr. DURBIN. Water and sewer loan and grant funds would normally have a very slow spend-out rate. What will you do, as Secretary, to try to expedite the use of these funds so that spending occurs in fiscal year 1993 rather than fiscal year 1994 or fiscal year 1995?

Secretary ESPY. I assure you Mr. Chairman, and members of the Committee, that I will do everything within my power to obligate the funds as quickly as possible. The fact that the funding will go to projects that have been planned for some time should expedite the spent-out once the projects are approved. As you know, the word is already spreading that additional funds will be available for this fiscal year, so communities will be ready to move as soon as funds are available. The Rural Development Administration (RDA) and FmHA field offices are geared up to process applications as quickly as possible. In addition, RDA will be in contact with interest groups to advise them of the probability of additional funds.

Mr. DURBIN. You indicate that as the new systems are in place, more jobs will be created by the new businesses that will be attracted to rural areas because of the availability for new water and waste disposal services. Do you have any information that can demonstrate this effect on jobs?

Secretary ESPY. Mr. Chairman, I am not a ware of any studies that show the availability of these services creates or attracts a specific number of jobs, but, as you know, the availability of these services enhances the opportunity for new businesses and industries to locate to rural areas. These services are part of the infrastructure necessary for growth. We are more optimistic about the job creation potential of this program since the provisions added by the FACT Act of 1990 included the provision of service to business and industry users when they are the primary users as eligible for funding. Prior to this amendment projects could not be financed if business and industrial establishments were the primary users of the service. We think this change will greatly enhance the job creation potential of many projects.

Mr. DURBIN. What is the average size loan and grant that the Farmers Home Administration makes for water and waste disposal projects and what is the current ratio of grants to loans?

Secretary ESPY. Mr. Chairman, the average size water and waste disposal loan averages about $700,000 and the average size grant is about $560,000. Concerning the ratio of grant funds to loan funds, Mr. Chairman, looking at all of the projects financed in fiscal year 1992 approximately 50 percent of the project cost was financed with grant funds.

Mr. DURBIN. Approximately how many additional loans and grants will this funding allow you to make?

Secretary ESPY. Using current averages the supplemental request would provide assistance for about 670 loans and 500 grants.

CHILD AND ADULT CARE FOOD PROGRAM

Mr. DURBIN. The request includes $56,000,000 to cover the increased meals and snacks that will be served to children in the proposed new Head Start summer program. How many additional children will this amount serve?

Secretary ESPY. Secretary Shalala says there will be up to 350,000 participants in 1993 in the Head Start summer program. We are working to eventually support 1.4 million children in Head Start, but it will take a few years to reach that level.

Mr. DURBIN. What will be the cost in fiscal year 1994 to maintain this level? Will this amount be built into your 1994 request?

Secretary ESPY. This amount will be built into our 1994 budget request. In addition, our 1994 request will include an additional amount for further growth. The increase for this specific increment will be based on the $56 million plus the cost of food inflation for food away from home. As I noted in my testimony, the specifics of our fiscal year 1994 budget proposal will be submitted to the Congress in about a month. So today, I am not at liberty to discuss with you specific funding recommendations for all the Department's programs.

Mr. DURBIN. Thank you very much.

Mr. Skeen.

WELCOME TO THE SECRETARY

Mr. SKEEN. Thank you, Mr. Chairman.

And Mr. Secretary, I think that we ought to formally welcome you.

Secretary ESPY. Thank you.

Mr. SKEEN. Now that you have been welcomed, we will start the baptism of fire.

Secretary ESPY. That is all right.

Mr. SKEEN. Being one of the few members of Congress who have made their living for about forty years in agriculture, I have an intense interest in the work that you do and the job that you have taken on. And I want to compliment you. It is a tough, tough job. And I think that you will do it and do it well, because your record in Congress I think points to that.

Secretary ESPY. Thank you.

STIMULUS VS. EMERGENCY

Mr. SKEEN. Let me ask you questions about the stimulus versus the emergency aspects of the programs in this bill.

Would you say that the stimulus itself is an emergency? How did you decide that this proposal should be in this emergency supplemental bill rather than one that is coming on later?

Secretary ESPY. Perhaps Joe, before you came in, I talked about——

Mr. SKEEN. I apologize for being a little late.

Secretary ESPY. That is okay. I talked about how we arrived at this particular category of stimulus or emergency inclusions. At a Cabinet meeting, the President asked us——

Mr. SKEEN. You said it was an emergency?

Secretary ESPY. I said stimulus or emergency.

Mr. SKEEN. The President said, "This is an emergency."

Secretary ESPY. Well, I guess that is in the eye of the beholder.

In many cases, a stimulus can be an emergency, and an emergency can certainly foster stimulation.

He asked us to look within our departments and to pull out, if you will, those areas which would constitute impact for new jobs that relatively quickly could spin out, that we could see and feel now.

So I am an advocate for rural development. I think that we have neglected our areas for many years, if I can say so. In that we have projects on line that have already been authorized but unfunded that could bring immediate stimulus to certain areas. If you would go to those areas, they would certainly say that it is an emergency, particularly, when you turn to water projects. I mean communities that have been without water and sewer for years and years, I would say are in an emergency type condition, and in need of stimulation.

So I would rather not go into the semantics of it. We did not get everything we asked. But certainly, everything that we asked for constituted new real meaningful jobs that we could see and feel immediately within this year.

Mr. SKEEN. What did you not get in your request? It might be interesting to know.

Secretary ESPY. It would be interesting if I could answer it. I will not go into that.

Mr. SKEEN. What did you ask OMB for that was turned down?

Secretary ESPY. Well, Mr. Durbin and I also served on the Budget Committee, and we know that we do not often get everything we ask for. We asked for a lot. OMB felt that our entire request could not be handled.

Tomorrow, I will be at this subcommittee once more talking about the long term investment portfolio. We got probably some more things that would not be included in this short term stimulus.

STIMULUS PACKAGE

Mr. SKEEN. How many jobs were you trying to create in the emergency package?

Secretary ESPY. About 12,000, jobs immediately. And with regard to programs like water and sewer systems, the clean up of our research stations, if we could get this money, that will bring about 11,000 or 12,000 more jobs over the next two or three years.

Mr. SKEEN. This proposal encompasses, $1.4 billion?

Secretary ESPY. Yes, sir. $1.4 billion for 12,000 jobs immediately, housing construction and sewer construction. Again, as the Chairman noted, we are asking for $4 million in housing construction that could be leveraged into $235 million of loan guarantees. That is a pretty good rate.

Mr. SKEEN. Do you have a breakdown of these jobs as to whether they will be public sector or private sector jobs?

Secretary ESPY. Well, they are both. Steve.

Mr. DEWHURST. The large number of these jobs would be in the private sector. Because the folks who would construct water and sewer systems for instance would be employed by private contractors.

Mr. SKEEN. Give me a percentile representation, would you, Steve?

Mr. DEWHURST. I think about half and half.

Mr. SKEEN. About half and half?

Mr. DEWHURST. If you take the total of 24,000 jobs over the next couple of years, you have approximately 8000 of those jobs that are in the National Forest. A great deal of that would be public employment. Not necessarily all of it, but a lot of it would be public employment.

The vast majority of the rest would be non-public employment, folks hired to build, fix, construct, improve the watersheds, that sort of stuff. The government does very little of that with its own personnel.

Mr. SKEEN. Are you targeting the unemployed?

Secretary ESPY. Well, they could be targeted to the unemployed. I say this for this reason, we have been asked to look at this entire package in its totality.

Today, of course, we are looking at the economic stimulus, which is one part of it. As we move down the road, we have been asked to look at this package in its totality.

One part of the infrastructure package of the long term investment package is in the area of welfare reform. This is something that I have also been working in for a period of time. We like to take individuals on welfare and help them to move off, to move from dependence to independence, to move from a consumption based system to an asset or savings based system.

And part of that is of course divided in education and child care, but provide a job. And we hope that that job could first come from the private sector if available. But if unavailable, which is probably the more likely prospect, there could be a public job available for them if necessary.

Helping build trails in the National Forest. Helping provide construction for these homes that would be leveraged by this $4 million. These are all things that we are considering, which have to be considered in the context of the overall package.

Mr. SKEEN. Let me ask you this. Supposing that the funds are expended in this particular emergency program, what will you do to provide for the continuation of those jobs? Are you going to come up with another emergency supplemental?

Secretary ESPY. No. I am saying that of the 12,000 jobs that will be created immediately, there are about 11,000 or 12,000 jobs that would continue over the next several years. They will also be picked up within the infrastructure package.

Mr. SKEEN. What do you mean by picked up, by the private sector?

Secretary ESPY. No, sir. Picked up in the infrastructure, the capital program that we will be talking about tomorrow. It is like phase one in some of these. Some of these do terminate.

Mr. DEWHURST. Mr. Skeen, back to your original question. There is one point that is perhaps worth considering. And that is that most of these programs are governed by their own rules in legislation or in regulations.

For instance, the water and waste disposal program is targeted to very small communities, 10,000 and under, and to communities which have incomes not to exceed 80 percent of the median income for the area. So these are small relatively poor communities who get this service. And one would assume that they have also therefore have unemployment and the other economic problems that go with that. But we have to run the programs under the rules that are in the current legislation.

Mr. SKEEN. Well, the reason I'm concerned is the latest GAO report that evaluated the last jobs bill or some of the jobs bills that we have had have been a spectacular failure. If we are going to do the job, let us do it right. We are not providing just a stimulus package that is here for one day and does not have any carry-through, or is done in the name of an emergency. We are going to keep having recurring costs, because that is what we have been doing.

I just wanted to know if this stimulus package is going to have a significant impact on the employment picture or are we just frittering away some more money, and are we going to keep going through this emergency stimulus package time and time again. If it is not picked up in the private sector I do not know that the federal government is the best way to keep an employment scheme going.

So that is my concern, and I appreciate your responses.

Secretary ESPY. I can appreciate that. But out of $30 billion or so we are asking for $1.4 billion, and we think that we can certainly justify with a billion out of 30, 12,000 jobs immediately, 11,000 more jobs over a longer period of time, more participation in the WIC program, more people having water in their homes, other people having to construct these water systems, and the very low income repair grants, and leveraging $4 million with—the $235 million in loan quarantees is, we think, well worth the impact.

Mr. Skeen. Well, the total cost of the whole stimulus package is $31 billion, and the jobs created there are estimated at 500,000 for the entire package, and that is $62,000 per job. This is an indicator that the proposals could be to the point where they are inefficient in terms of the jobs created. It is of grave concern and I think that having this discussion would help clear up some of the doubt.

Thank you, Mr. Chairman.

Thank you, Mr. Secretary.

Secretary Espy. Thank you.

Mr. Durbin. The Chair would yield to Mr. Whitten.

Mr. Whitten. Thank you very much.

We are mighty glad to see you in your new position, Mr. Secretary, and we look forward to working with you.

Secretary Espy. Thank you, sir.

Mr. Whitten. You come from the State of Mississippi, the Mississippi River Delta which is one of the great agricultural sections of the United States. I don't believe there is anywhere that agriculture has been more prominent than in the First District and where the Secretary grew up. That is in an area where every one of these programs is important and he has worked with these programs. He grew up in the middle of an area where all those programs are important.

Secretary Espy. That is right.

Mr. Whitten. And Yazoo County is a big county, part hill and part delta. It has the Mississippi River, and many streams that run into the river as well as fertile land and fine people. Mike, it is good to see you in this position and I know it will be for the benefit of the folks in your district and in our state. Yazoo County is a fine county, and without going into great detail, I think the Secretary grew up with an awareness that agriculture is not only important in his county, but for the country as a whole. He comes here with a background in rural problems. Not only that, but he is experienced in his line of business and I want to congratulate you on being in this position.

And I say again, we look forward to working with you. Nice to have you here. We will go into more individual programs as we hold hearings on the regular bill, but at this time it is worthwhile to have this hearing on the President's proposals, because they are worthwhile, and I hope we can get together on this. In other words, when you make a change as we are trying to get much of our country to, the quicker we get started, the better. I am glad to know that you have already anticipated the need for increased meat inspection and many other things. So many of these problems in the United States are prevalent. So you have a good background, a good presence, and it is a pleasure to have you here. And again, I look forward to working with you, not only in the First District in my own state, but the nation as a whole. In my judgment agriculture is the basis for our national prosperity.

Secretary Espy. Yes.

Mr. Whitten. Thank you, Mr. Chairman.

Mr. Durbin. Thank you, Mr. Whitten.

Secretary Espy. Mr. Chairman, thank you for your kind comments. I studied at your knee. I hold you in high regard and high esteem for the way in which you shepherded and supervised and cared for rural America and the oversight of USDA programs and the way in which you have promoted all the programs that have benefitted our country through its agricultural sector.

I have watched you when you were not looking, and I have listened and learned when you were looking and teaching, and I really do appreciate the opportunity.

Mr. Whitten. For many years I represented Yazoo County and it helped me as much as most anything.

Secretary Espy. Yes, sir.

Mr. Whitten. When I was in college, folks did not have much money. I sold high school class rings and invitations to graduations and Yazoo County was in my territory. So I have been to every place in Yazoo County many times. And I must say I was very fortunate and they were very helpful. I represented Bastion Brothers, and still do business with them. I have a very close relationship with your county and I am very proud of the many things we have done there. You are an example of everything we deal with, with your background. You are aware of the need for programs, such as rural housing and water and sewers.

Secretary Espy. Thank you, sir.

Mr. Whitten. Look forward to seeing you again as we work with you.

Secretary Espy. Very good.

Mr. Durbin. Thank you, Mr. Whitten. Mr. Myers.

RURAL ELECTRIFICATION ADMINISTRATION LOANS

Mr. Myers. The Rural Electrification Administration creates both jobs and economic opportunity, yet there is no request in this package for that agency. Economic studies have shown that 51 jobs are created for each $1 million in REA loans, which is a much better average than most other programs contained in your request. There is presently a backlog of about $750 million in applications for insured loans from REA.

Why is there no request for REA, which could use the funding to address the backlog at the agency? These applications are for "ready to go" construction projects for which engineering, design and planning are all completed.

Secretary Espy. Mr. Myers, I would agree that there is a number of other programs that be used to create additional jobs. The vast majority of rural areas already have basic electric and telephone service and private sources of credit are available in most cases to provide financing for improving these services. One of the reasons there is a backlog of applications for REA electric loans is that these loans are subsidized. On the other hand, there are many rural communities that are lacking basic water and waste disposal services and they don't have access to private credit, and there are also many low income elderly households needing financial assistance to improve their housing.

Mr. Myers. The REA telephone loan program has also played a significant role in ensuring advanced affordable telecommunications services are operational in rural America. This rural economic development routinely experiences annual loan application carry-overs that total in excess of $200 million. What is the current backlog and carry over figures for REA's telephone loan program? Again, why is there no request contained in the stimulus package for this economic development opportunity?

Secretary Espy. Again, Mr. Myers, I can not disagree that the REA telephone program has played a very important role in the economic development of rural areas, and will continue to do so. However, as I said earlier, telephone service is available to the vast majority of rural areas, and even though there may be a backlog of applications for upgrading existing service, the private sector is willing to supply credit for most of these needs and telephone borrowers are able to afford private credit terms. Regarding the backlog of telephone loans, at the end of fiscal year 1992, there was no backlog of REA direct telephone loans. However, there was 7 Rural Telephone Bank Loans totaling $23 million carried over for funding in fiscal year 1993.

Mr. Durbin. Mr. Thornton.

Mr. Thornton. Thank you, Mr. Chairman.

Mr. Secretary, I am delighted to welcome you to the committee. It is a privilege to have served in a similar part of the world. We both are familiar with the poverty and the hopelessness that attends much of the Delta. The Delta Commission and the Delta Caucus, which you chaired tried to address these problems.

May I inquire whether the proposal does weight itself toward the problems where real human problems exist? Is there some attention given, not because it is a region, but because of the quality of life and the deficiencies in infrastructure which exist in those areas?

Secretary Espy. Thank you, Mr. Thornton. I can appreciate the question. I cannot say that these economic stimulus proposals have been filtered through the logic of the Delta Commission. We have not applied the Delta Commission recommendations on top of any of these things.

However, the conditions of your district and my former district are pretty bad in many ways, and many of the proposals within this stimulus package will cause immediate help to districts that have been underserved in the last few years. I think immediately of the low income home repair, the water and sewer loan and grant programs. The WIC program, of course, is very necessary because in my former district for every thousand live births, 33 children would not make it beyond their first year of life. And that is just a statistic that no one is really proud of. That WIC money can go automatically to making sure that the incident of low birth weight babies could be abolished as best that we can do it, and we know that we just have a real problem.

Mr. Thornton. Is that good economics as well as good humanitarian purposes?

Secretary Espy. I would call it an emergency condition——

Mr. Thornton. Yes, sir.

Secretary Espy [continuing]. In many of these districts, and an emergency condition which will stimulate growth and development not only in those children, but in the economic development prospects for the neighborhood. So whether you call it this or that, I think it is necessary.

Mr. Thornton. And I certainly do not want to get into semantics, because I think that in my view we are in an emergency in many parts of my district. But the important thing is to have a strategy that addresses the problems that we are facing.

I have really enjoyed serving with Mr. Skeen. He is a thoughtful member of the committee, and I think that he would agree with me that it is not quite right to divide the total amount of money that is spent by the number of jobs that are created to determine the cost per job.

Do we not get something else for that? Do we not get some water and sewer districts? Do we not get some improvements in our infrastructure? Tomorrow, perhaps, as you bring the long-term vision forward, will we not be looking at some real valuable investments which are being purchased with these dollars?

WATER PROJECTS

Secretary Espy. Well, the answer is yes. Again, I just relate to the water projects that we have here that have already been authorized and not funded so far. These water projects will be included in the water districts. And, again, I related to my former situation in Mississippi, but the water and sewer districts can be created into water and sewer associations, and certain dues are levied among the participants, which, of course, goes to hire, more full-time folks to manage these associations and help the tax base of these very poor counties as well. So there is stimulative benefits immediately beyond the temporary construction jobs.

Mr. Thornton. Plus a residual construction that remains on the ground. When we build a new runway at a cost of $50 million, and we take 100 people to build it, well, it does not cost $500,000 per employee to build it, we have spent a lot on concrete, and on steel, and on materials that go into that facility. And so I just do not think it is right to take the total cost of a package and divide it by the number of employees and say that you have sixty-one or sixty-two thousand dollars per job. You are getting something besides the jobs for the future, are you not?

HOUSING LOANS

Secretary Espy. Well, certainly. On the housing projects, again to take $4 million to leverage it into $235 million of guaranteed loans, they are going to take the loan and they are going to hire the constructors to build these homes. That will improve the assessment outlook of the entire county, and improve, again, the tax base of the county, and of course the body politic of that area would benefit from the aggregate impact of these new homes and provide services for the community, I would imagine.

So again, I mean, this cannot be looked at in a narrow way, in a very, you know——

Mr. THORNTON. And I do not think Mr. Skeen really intended that we give that as the total cost. I would be pleased to yield to the gentleman.

Mr. SKEEN. Would the gentleman yield?

Mr. THORNTON. Yes.

Mr. SKEEN. I appreciate his benevolence. [Laughter.]

But on the other hand, as a quick measure of what you are doing it is a very effective statistic.

Mr. THORNTON. I do understand that it is a useful tool, but it does leave out the question of what you are getting for it.

Mr. SKEEN. This emergency has to do with jobs. I think it ought to be related back to what it costs to create that job.

Mr. THORNTON. Yes, sir.

Mr. SKEEN. Including the entire project.

Mr. THORNTON. Yes, sir. But for me I would rather spend a million dollars to build a water system or a sewer system——

Mr. SKEEN. I understand how you feel.

Mr. THORNTON [continuing]. Than to hire people to pick up paper along the highways in one instance that is not reoccurring.

Mr. SKEEN. I understand the gentleman, and I appreciate his approach.

Mr. THORNTON. Thank you.

Mr. DURBIN. Mrs. Vucanovich.

Mrs. VUCANOVICH. Thank you very much, Mr. Chairman. I also welcome our new Secretary to the subcommittee.

Secretary ESPY. Thank you.

JOB CREATION

Mrs. VUCANOVICH. I think it is very nice to see one of our own step into this job.

Secretary ESPY. Thank you.

Mrs. VUCANOVICH. I have to ask a few questions about the job creation angle. I know it is an essential part of this whole stimulus package that we are looking at today. It is my understanding that many of the jobs created by this supplemental appropriation may be temporary and not meaningful full-time jobs. A lot of us have reservations about the need for an emergency spending bill just to create jobs that stimulate the economy. Obviously we are going to have to go back later on and raise taxes to pay for the spending. It seems to me that our economy is on an upturn and maybe it would be a good idea to look at these increases during the regular appropriation process.

Since Mr. Skeen has brought up the business of the emergency, many of us wonder why this funding cannot wait for the next supplemental that will come up with the budget and might contain offsets. I think a lot of us are concerned about the offsets, and why this cannot go through the regular appropriation process, the 1994 bill.

I know there are unobligated balances on the books that have been there from previous appropriations for a lot of these programs. Why do we need this emergency funding at this moment?

Secretary ESPY. Well, again, we have discussed a bit of this before, but I would say that what is determining the emergency and what is determining stimulation, I guess, is relative. We think that we are in a recovery, and I think it is great. I think every American should applaud the fact that we are in a recovery.

But every American, every objective American ought to also realize that this recovery that we are in has not been really accompanied by an appreciable increase in jobs. You pick up the paper, Barbara, each and every day and we are met by the unfortunate circumstance of reductions and layoffs at places like Boeing, IBM, Sears and General Motors. And so I call it a toothless recovery.

So I think that we need a quick boon, a hit, if you will, a thrust, some way to impact and to jar and to push along this recovery. We think an injection of modest amount of $30 billion would serve such a function, which would create 500,000 immediate jobs over the short term. And so we were asked to look into this menu of ours and pull out of it impacts of real, tangible, honest, immediate jobs, and we think that constitutes certainly stimulation, but also constitutes an emergency situation. So I would say let us not wait. Let us try it now, and push the recovery along.

WATERSHED CONSTRUCTION

Mrs. VUCANOVICH. I was looking at this watershed and flood prevention operation, and you are talking about $47 million in emergency funding. I have a rural area in Nevada and I would be curious about the effect that the emergency funding would have on my state.

Do you know what you are planning to do with this money? We have heard a lot about the South. A lot of us are concerned about the South, but I would like to have some clue about what you are going to do, and how it would affect our states. Do you have any ideas?

Secretary ESPY. Yes, ma'am. Sure, we do.

We have identified $146 million worth of watershed projects that have already been authorized, and are laying there waiting to go, and we think that the inclusion of these watershed projects in this particular emergency bill could help us to start them, and the work—we have a project-by-project list which is located in 27 states across the nation.

The $47 million would be directed toward those projects where local sponsors indicate a high degree of readiness. We hope that these funds could be obligated within the first six months, thereby creating an immediate need for 700 to a thousand jobs in rural communities.

We have a list. Would you——

Mrs. VUCANOVICH. Yes, I would like to see a list of those projects at your convenience.

Secretary ESPY. Mr. Chairman, would you like me to provide the written list, and I can go through the state designation now? How would you like it done?

Mrs. VUCANOVICH. I think it would be important that we see a list of projects by State, at your convenience.

Secretary ESPY. Okay.

Mrs. VUCANOVICH. Specifically, what is going to happen with the $47 million.

Mr. DURBIN. If the Secretary would like to make that part of the record, we would be happy to include it.

Mrs. VUCANOVICH. That would be very helpful.

Secretary ESPY. Certainly will make it part of the record. There are 27 states where these funds have already been authorized and are ready to go.

[The information follows:]

PL-566 FY-93 UNFUNDED STRUCTURAL PROJECT NEEDS

	PROJECT		FUNDS	
STATE	NUMBER	NAME	FEDERAL	OTHER
AL	2010	POWELL CREEK	140	5
AL	2043	DRY CREEK	78	5
AR	2038	SOUTH FOURCHE	1500	90
AR	2039	CEDAR-PINEY CREEKS	142	0
AR	2052	FLAT ROCK CREEK	1587	0
AR	2053	OZAN CREEKS	170	25
AR	2062	YOCONA-SPYBUCK	67	30
CA	2014	BEARDSLEY	1500	0
CA	2016	UPPER LLYGAS	4125	500
CA	2028	LOWER SILVA	7500	1000
GA	2035	LOWER LITTLE TALLAPOOSA RIVER	225	10
GA	2044	BIG CEDAR CREEK	30	5
GA	2059	NORTH OCONEE RIVER	100	10
IA	2030	TURKEY CREEK	50	10
IA	2031	MOSQUITO OF HARRISON	438	30
IA	2040	WAUBONSIE CREEK	15	0
IA	2045	TROUBLESOME CREEK	355	10
IA	2046	TWELVE MILE CREEK	615	10
IA	2051	TWIN PONIES	294	19
IA	2055	SOAP CREEK	366	30
IL	2025	LITTLE CALUMET RIVER	36156	12000
IL	2031	LOWER DES PLAINES TRIBUTARIES	12000	2500
IN	2007	MIDDLE FORK OF ANDERSON RIVER	2120	150
IN	2040	HONEY CREEK	640	300
KS	2061	ELK CREEK	470	78
KS	2062	SOUTH FORK	280	32
KY	2029	UPPER TRADEWATER RIVER	375	80
KY	2041	PIGEON ROOST CREEK	375	100
LA	2019	CYPRESS-BLACK BAYOU	455	180
LA	2041	BAYOU MALLET	795	250
MN	2019	SOUTH ZUMBRO	1500	200
MO	2021	MOZINGO CREEK	1410	1500
MO	2025	TROUBLESOME CREEK	250	20
MO	2026	GRASSY CREEK	250	10
MO	2027	BIG CREEK-HURRICANE CREEK	550	40
MO	2029	EAST LOCUST CREEK	310	20
MO	2030	UPPER LOCUST CREEK	620	40
MS	2011	PERSIMMON & BURNT CORN CREEK	650	100
MS	2020	CHUQUATONCHEE CREEK	360	230
MS	2021	TOWN CREEK	581	52
MS	2025	TUSCUMBIA RIVER	3103	970
MS	2032	TALLAHAGA CREEK	910	100
MS	2037	BIG CREEK	650	90
MS	2040	CHUNKY RIVER	420	20
MS	2059	SOUTH DELTA	650	150
NC	2025	CRABTREE CREEK	3000	1000
NC	2045	SECOND BROAD RIVER	730	280
NE	2051	SOUTH BRANCH LITTLE NEMAHA	301	96
NM	2026	TorC-WILLIAMSBURG	5000	400
NM	2028	COTTONWOOD-WALNUT	8000	1000
NY	2025	VIRGIL CREEK	2850	125
OH	2009	RUSH CREEK	735	175
OH	2017	SHORT CREEK	1575	600
OH	2019	NORTH HOCKING RIVER	215	70
OH	2020	SOUTH FORK LICKING RIVER	525	150

PL 566 FY-93 UNFUNDED STRUCTURAL PROJECT NEEDS, cont.

	PROJECT		FUNDS	
STATE	NUMBER	NAME	FEDERAL	OTHER
OK	2018	UPPER RED ROCK CREEK	640	75
OK	2022	UPPER BLUE RIVER	535	50
OK	2030	LOWER CLEAR BOGGY CREEK	410	10
OK	2031	SALT-CAMP CREEK	320	15
OK	2040	UPPER ELK CREEK	545	30
OK	2047	COTTON-COON-MISSION CREEK	340	25
OK	2056	BRUSHY-PEACEABLE CREEK	395	25
OK	2069	HOYLE CREEK	560	80
OK	2070	TURKEY CREEK	400	60
OK	2073	DRY CREEK	253	45
PA	2002	LITTLE SCHUYLKILL RIVER	155	0
PA	2021	JACOBS CREEK	0	6
SC	2029	NORTH TYGER RIVER	260	200
SC	2038	RABON CREEK	25	5
SC	2056	WOODROW	12	100
TN	2013	REELFOOT-INDIAN CREEK	925	1
TN	2036	HURRICANE CREEK	1750	2
TN	2038	MCNAIRY-CYPRESS CREEK	1100	477
TN	2039	NORTH FORK-FORKED DEER RIVER	200	81
TN	2040	PORTLAND WATERSHED	200	200
TX	2040	SALADO CREEK	3500	500
TX	2074	ECLETO CREEK	324	15
TX	2085	RED DEER CREEK	3500	500
TX	2087	ELM CREEK (CEN-TEX)	1080	80
VA	2030	CEDAR RUN	720	1000
WI	2026	PINE RIVER	360	160
WA	2010	E. SIDE GREEN RIVER	2600	400
WV	2021	MILL CREEK	8200	1600
WV	2028	LITTLE WHITESTICK-CRANBERRY	8800	300
WV	2029	OPEQUON	300	200
TOTAL			146517	31139

Mrs. VUCANOVICH. Thank you. I have no further questions.

Secretary ESPY. Thank you.

Mr. DURBIN. Ms. DeLauro.

Ms. DELAURO. Thank you very much, Mr. Chairman.

It is wonderful to see you here today and it is nice to call you Mr. Secretary.

Secretary ESPY. Thank you.

WIC PROGRAM

Ms. DELAURO. It is a delight. Let me commend both you and the President for coming forward with an economic program, the speed at which it has been done and the direction of change that is embodied in the program.

Let me mention the WIC program first. I have a couple of areas I would like to mention.

I represent New Haven, Connecticut, which is in the wealthiest state in the nation per capita, and on the other hand it is one of the poorest cities in the country. One out of six children as a very recent study indicated, are at risk for hunger or are hungry, and 65 percent of the low income families with kids under 12 have children who are at risk of hunger. We also have in New Haven one of the highest infant mortality rates in the nation for a city of its size, so this program is particularly important.

I will just ask one question with regard to the WIC program because others have been asked and I am delighted that we are moving forward.

I am presuming that the additional money will be based on the same formula as which it is now directed.

There has been a question because I had a meeting last week in my district of all the providers of nutrition programs et cetera and one of the things that the WIC people brought up to me was that the census, the undercount in the census, was a problem. I think the national WIC directors are going to be in touch with you, Mr. Secretary, to talk about this and what it means in terms of future funding for some of these areas.

Are you taking a look at that census undercount in terms of the 75 million who are not there, are you looking in the future for how we are going to try to deal with that undercount?

Secretary ESPY. Well, just—and, again, I am speaking for myself here, I think that there has been an undercount and this was a problem in the last administration.

I think the Commerce Department, in my opinion, did not recognize that such an undercount existed; at least if they did, they decided not to do anything about it. There are many communities who are very concerned about this and would like this census to be adjusted to the percentage of undercount, particularly as related to minorities and others. My district at the time also raised some concern and I brought these concerns to the Secretary of Commerce at that time.

I have not yet looked at the undercount problem and applied it to the WIC formula. I have not done it but I recognize that there was an undercount, there is an undercount and perhaps these formulas need to be adjusted somewhat and we will look at it.

I will turn to Steve for any additional comments he might have.

Ms. DeLauro. Steve.

Mr. Dewhurst. Well, my understanding is we will use the same formula, but it is also my understanding that the FNS is looking at the problem of the numbers and the formula, the undercounting problem.

I also think it is perhaps important to understand in the longer term which we are not allowed to talk about today the commitment to fully fund the program means in effect that folks that are eligible will ultimately get served and that this kind of issue becomes less important, the closer you get to funding full participation in the program.

Ms. DeLauro. Okay. We will talk about it at another point when we are talking about the full length of the program. I was particularly pleased to hear you talk about the PSA route in doing some outreach which is quick and easy and without cost. At that meeting of nutrition program providers, the whole issue of outreach as it had to do with food stamps, with the breakfast program, the school lunch program, all the programs that we are talking about, how to operate them and how we can maximize benefits were topics of conversation.

RURAL WATER AND WASTE WATER

The second area that I wanted to ask a couple of questions about was the rural water and wastewater treatment area.

In a bill that I just put in with Nita Lowey which talked about environmental infrastructure projects, we were talking about, again, projects that were ready to go and putting some money through the state revolving fund program in order to be able to move quickly in terms of getting projects on-line, clean water projects on-line. We included in the bill $300 million for the rural wastewater treatment programs and I wanted to mention that there is the state revolving fund program in a number of states through which the money can flow and move quickly where you do not have to reinvent the wheel and reinvent the mechanism. In terms of the money that you are talking about and the effort here, these are communities under 10,000 who do not have any other, as I understand it, what kind of a mechanism will that go through?

How will the projects be prioritized, how will they be selected, et cetera, so that they can move quickly to come on-line within 90 days or 120 days?

Secretary Espy. I will ask Steve to supplement my answer but first let me say to you that we already have a backlog in this area as well, a $1.5 billion backlog in these loan applications and I think about $600 million backlogged in grant applications already there ready to go. And we think there we will create about 2500 jobs. For each $100 million in expenditures for infrastructure project, we create 2500 jobs.

I would imagine that it would flow through the same formula that we presently have.

Mr. DEWHURST. Yes, sir. The program, of course, is operated by the Rural Development Administration and then operates through Farmers Home Administration offices at the ground level.

The projects are approved on a project-by-project basis and that has to be a competitive basis but there is in fact about $1.6 billion in loan applications and about $600 million in grant applications, often they are part of the same application, that have been through most of the review and essentially are ready to go. So it becomes a question then of prioritizing, allowing the projects—you have to let them compete a little bit and make judgments based on the economics of the situation and the urgency of the need in a particular community.

I think it is fair to say that the Rural Development Administration knows very well basically where the most urgent projects are and will work very hard to make those applications move and get these projects underway.

Ms. DELAURO. Thank you.

And thank you very, very much, Mr. Secretary.

Secretary ESPY. Thank you.

Mr. DURBIN. Thank you, Ms. DeLauro.

Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman.

I would like to go on record first since a number of members have already indicated where they are from, as has our Secretary. I just wanted to make sure everyone knows that all of Florida is not Miami and that I represent a very rural area in the rural South in which my problems really are not unlike what you have had, Mike.

And what you are doing I really applaud, and having you as Secretary is an incredible encouragement to all of us in the rural communities as to where the understanding is out there in regard to the plight of rural America.

A couple of questions, though, to follow up earlier. The census situation has to be addressed. The state of Florida particularly is so hard hit with regard to the undercount and what it is going to do to us for ten years. We are growing at a rate of 1000 people a day in some parts of the state and you start looking at all these various programs that are urban and rural, we really take a hit.

But I want to go and clarify the semantics problem we had earlier. The emergency is the economy. It is not these items that you have taken us through here. We are addressing through those items the emergency in the economy by trying to get this thing kick started and that is it. Stimulus. And really that is the only justification you have to give.

WIC PROGRAM

And then the WIC area. With the new funding for WIC, can you give me some idea how much of that money is in actual delivery and how much you are going to have to increase the administrative costs to deliver that?

Secretary ESPY. Just one second.

Mr. DEWHURST. Part of the money goes to local administration of the program and my memory is it is 20 percent. There is no increase in the Food Nutrition Service or in their personnel to run the program but when we put the program in the field, essentially 80 percent of it goes for WIC vouchers for additional benefits and the remainder goes to the local folks who help run the program.

ONE-STEP SHOPPING

Mr. PETERSON. But what I am getting at is that we are talking about increasing our delivery infrastructure to some degree and a number of us have worked for some time trying to get one-stop shopping for these folks who are eligible for these programs.

It seems to me that this would be an ideal time, if you are going to go out and rent new space, you are going to go out and hopefully consolidate some programs. Now is the time to do that because you have the opportunity.

I would hate for us to get into some long leases in these little areas and still have people running around to 15 different places in order to get their qualifications taken care of. That should not only be part of what you are going now but should also be part of this outreach. We should be able to go back to our districts and say not only are we improving the WIC programs and these housing programs, we are going to help you by making this a one-stop qualification process.

Secretary ESPY. I could not agree with you more. After serving on the Agriculture Committee and the hunger committee with the gentleman from Missouri by the name of Bill Emerson, I mean you have to—I keep hearing him echo one-stop shopping, one-stop shopping. And we are trying to implement such an approach not only in the human service delivery arena but also farmer service delivery.

I will be here tomorrow and I will begin the discussions with the chairman on approaches we have taken to streamline farmer service delivery into a one-stop shop for the farmer in the field, which would, I think, enure to our benefit on the cost savings and we have to do that. And we plan to do that. We have already been discussing ways in which we can do that.

But when it comes to these human service delivery functions, we also have to implement the same idea. AFDC, food stamps, WIC, all of it at the same place. Cut down on paperwork, consolidating, causing efficiencies within the delivery and we are doing that.

Secretary Shalala, who has a great deal of this within her department, and I have been talking about these kinds of things already and they simply must be done.

Mr. PETERSON. I applaud you in that and I think it is time for us to realize that we are a monstrous industry here, that we have to be as efficient as anyone who is in a competitive business or else we will lose sight of what we are doing and, frankly, we will be out of touch. But I applaud you on what you have brought us today.

These stimulus packages are good packages, things that are going to hopefully kick the capital wheel in this process and at the same time help people. Ultimately, though, and I think you are going to tell us this tomorrow, this is just accelerated funding for long-term programs that you have envisioned and I applaud your efforts on that and support it 100 percent.

Secretary Espy. Thank you.

Mr. Durbin. Mr. Pastor.

Mr. Pastor. Welcome, Mr. Secretary.

Secretary Espy. Thank you.

Mr. Pastor. And congratulations on your appointment. I look forward to a lot of good things happening to all of America because of your efforts.

As you know, when you are way down here, sometimes most of the questions have been asked and the comments made, but——

Secretary Espy. I just hope they have been answered, too.

Mr. Pastor. They have been answered. They have been answered well.

As I understand, the objective of the entire package is to do two things: provide jobs to Americans and to make sure that the quality of life of all Americans is a little better. And I think that this package you bring to us meets that test.

We have talked about jobs. There are jobs; in rural areas, people have been unemployed or underemployed for a long time, so this gets men and women in rural America to work and allows them to provide for their families.

When you talk about extending WIC and nutritional programs for kids in Head Start, improved housing, improved water systems or new water systems, we are really talking about improving the quality of life. That, I think, is one of the most critical components of this program.

Although most relevant comments have already been made, I would like to stress the following points that have yet to be made.

One, that there is a rural America west of the Mississippi. Arizona has a large rural area, and please be kind and gentle as you look at these projects that implement the economic stimulus programs.

Secretary Espy. You have the wrong official. [Laughter.]

Mr. Pastor. Just be kind and gentle to Arizona.

In closing, I will take you up on your request. I will go to the Ag basement and do a PSA to further your programs, and I will do it in Spanish, because you probably do not have too many people in Ag that can do it.

Thank you, Mr. Secretary.

PROMOTING USDA PROGRAMS

Secretary Espy. Thank you. This question came up this morning in Ed and Labor and honestly, we do. If there is anything over there, we have a lot of people who certainly can speak Spanish and have a great relationship with Spanish-speaking communities and we have not used them in the right way. And we are also doing this.

I announced earlier, Mr. Chairman, some streamlining moves with regard to our communications division. We have a really large communications division across the range of these 42 agencies. Each one has a communications system and a spokesperson and a PR person and all of that and this and I think that we can downsize that and create a desk system like they do at the State Department and take those that are no longer necessary exactly and do some other things with them.

Mr. DURBIN. We are looking forward to working with you on that, Mr. Secretary, and I think we want to make sure that we provide a high level of quality services to the people through programs administered by the U.S. Department of Agriculture.

One of the most remembered lines from the last presidential campaign came from Mr. Perot. He talked about the USDA employee with his head in his hands crying, having heard that his farmer died, and everyone laughed across America. There are many of us who understand that the Department does a lot more than deal directly with farmers.

Secretary ESPY. Right.

Mr. DURBIN. Meat inspection is one small example of that.

I also note that over the last 20 or more years the number of employees in the U.S. Department of Agriculture has not changed much except in one area and that is the Forest Service.

Secretary ESPY. Right.

Mr. DURBIN. A lot of that has to do with the fact that Congress and different Presidents have designated more and more areas as national forests, covered by the Forest Service, which requires more employees to maintain them.

So we want to get the real message out for your sake and for ours. We want to streamline the Department and help you do your job as effectively as possible and also help reduce that deficit.

The President has called on us already and I am sure we will be called on again.

Secretary ESPY. I would like to ask those who criticize this department just to be fair because I have criticized it already both in the announcement phase and the confirmation phase and just to tell America that it is a very large department but, honestly, of the $62 billion appropriation, 52 percent of it involves food and nutrition-type functions and of that food stamps constitutes an incredibly large part which is an entitlement program, a function of how many people qualify.

So, you know, the farmer services or the farm program function are about $10 to $16, $17 billion, depending on the yields and the program payments, but the rest of it are other things. So we just have to be fair.

It hurts the morale of the employees to hear all this talk that is just not for the right purpose.

Mr. DURBIN. Before I yield to Mr. Skeen, I want to say that that is an important element, too. You have a lot of fine men and women working in that department and we want them to know that we appreciate their service and all the jokes notwithstanding, they do a very important job for this nation.

Mr. Skeen.

Mr. SKEEN. Mr. Chairman and Mr. Secretary, I want to commend you because the Department of Agriculture is one of the most outstanding departments that we have, and one of the most productive. And if it was not for the farmer, there would not be any need for it.

Secretary ESPY. That is correct.

Mr. SKEEN. Do not ever forget the farmer. The farmer, which makes up 2 percent of the population, takes care of the other 98 percent. I think they do an admirable job and it is great to be the secretary and the leader of a department that does so much good.

Secretary ESPY. Thank you, sir.

Mr. SKEEN. Thank you, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Skeen.

Thank you, Mr. Secretary.

Our colleague, Congressman George Miller has a question on the WIC program he would like answered for the record.

[The question and the response follows:]

WAIVER OF 15 PERCENT LIMITATION ON STATE WIC GROWTH

Mr. MILLER. In 1987, the Department of Agriculture promulgated regulations which limited new monies a state could receive to not more than a 15 percent increase over the prior year's funding level. At the time this was done, it was not envisioned that a state could absorb more than a 15 percent increase.

Today, a number of "high growth" states West of the Mississippi, including Arizona, California, and Hawaii have reached the "15 percent cap." Unless this cap is eliminated, they will not be eligible to receive any of the $75 million in the President's proposal, because that would mean their increases would exceed the 15 percent cap.

This matter is of great concern to the California delegation. California has 12.4 percent of the low income infants and children in the country. While some states serve 90 to 100 percent of all eligible people who apply for WIC, California is able to serve only 46 percent of its eligible persons. Because pregnant and breastfeeding women and infants must be served first, the percentage of children in a state's caseload is an indicator of how well the State is able to serve its eligible population. Only 18 percent of the individuals served in California are children over 12 months of age.

Does this administration intend to waive the 15 percent cap requirement when it distributes the $75 million?

RESPONSE. Yes. In order to maximize the utilization of these additional funds in a short time, the proposed appropriation language would authorize the Secretary to waive existing funding allocation rules as necessary. Waivers would be used to ensure funds are received by States most in need and likely to be able to spend additional funds in fiscal year 1993. If no waiver is granted, "growth" States that have a greater proportion of unserved eligibles than other States and that have already reached the 15 percent cap, such as California, will not receive additional funds.

Mr. DURBIN. If I could ask the members of the subcommittee to be at ease for just a minute while Mr. Skeen and I have a short conversation.

If I could have the attention of the subcommittee, the staff and all of our friends in the audience for a second, I believe Mr. Skeen has a request to make.

Mr. SKEEN. I am asking, Mr. Chairman, for another day of hearing on the supplemental.

Mr. DURBIN. All right. It is the right of the minority to ask for an additional hearing on any pending matter before this subcommittee and they will be accorded that right. It is my responsibility to set the time for that meeting and I would like to set it for 1:00 tomorrow afternoon.

Mr. Skeen. That will be fine, Mr. Chairman.

Mr. Durbin. Okay. Fine. So we will reconvene on the supplemental tomorrow at 1:00. To keep the program straight, we will be back on the regular appropriation bill in the morning and then back to the supplemental at 1:00 in the afternoon.

Thank you very much.

Mr. Skeen. Thank you, sir.

MIKE ESPY

U.S. Secretary of Agriculture

Mike Espy was sworn in as the 25th U.S. Secretary of Agriculture on Jan. 22, 1993. Prior to being appointed to this position, Espy represented the second district of Mississippi in the U.S. House of Representatives.

Espy was first elected to the U.S. House of Representatives in 1986, where he served on the Agriculture and Budget Committees. He was chairman of the Domestic Hunger Task Force of the Select Committee on Hunger, the Lower Mississippi Delta Caucus, and the Natural Resources, Community and Economic Development Task Force of the House Budget Committee. He also was Majority Whip at large.

As Vice-Chair of the Democratic Leadership Council, Espy has been on the front lines of the national movement to dramatically reinvent government. He has been a leading spokesperson for the need to reunite the interests of the middle class with those struggling to enter the middle class. He has also been one of the country's strongest voices on behalf of the unique concerns of rural America.

Espy put his reinventing government ideas into action for the six years he served on the House Agriculture Committee. He made numerous proposals to reform agriculture, including measures to cut red-tape in the USDA National Appeals Division, to promote the use of food stamps at farmers' markets, provide outreach programs for limited resource farmers, and increase markets for pond-raised catfish.

As Chair of the Natural Resources, Community and Economic Development Task Force of the House Budget Committee in the 102nd Congress, Espy played a key role in shaping welfare reform proposals. He received national attention for his advocacy of self-empowerment legislation that would allow welfare recipients to help free themselves from dependence on the current system. Espy vigorously promoted microenterprise projects that would allow low-income individuals to start their own businesses. Espy also introduced legislation to create regional community development banks in the Mississippi Delta region that would be a model for such banks being developed nationally by the Clinton Administration.

Before his election to Congress, Espy served as Mississippi assistant state attorney general for consumer protection (1984-85), assistant secretary of the public lands division (1980-1984), and assistant secretary of state for legal services (1978-80).

Espy was born Nov. 30, 1953 in Yazoo City, Miss. He received a bachelor's degree from Howard University in Washington, D.C., in 1975 and a law degree from Santa Clara Law School, Santa Clara, Calif., in 1978.

As secretary of agriculture, Mike Espy presides over one of the largest and most diverse agencies in the federal government. He administers broad programs to maintain America's safe, abundant, and reasonably priced supply of food and fiber while protecting and preserving the nation's soil and water resources. In addition to managing traditional farm programs, the U.S. Department of Agriculture's mission includes domestic food assistance, research and education, agricultural marketing, meat and poultry inspection, forestry, rural development, and many other areas vital to the lives of all Americans.

Statement by
Mike Espy
Secretary of Agriculture
Before the House Appropriations Subcommittee on Agriculture, Rural Development, Food and Drug Administration, and Related Agencies
February 23, 1993

Mr. Chairman, distinguished Members of the Committee, it is indeed a privilege to appear before this Committee to discuss with my former colleagues President Clinton's short-term economic stimulus proposals. As the President indicated in his February 17 address to Congress, the immediate stimulus program is one of three basic components to his economic plan. Combined with the stimulus package there is an ambitious plan for long-term investment and a serious, credible plan for deficit reduction. In general, the stimulus package is designed to produce more jobs by investing in the nation's infrastructure. It also makes an initial added investment to human capital by providing additional assistance to people who are in need. The economic stimulus program is also being proposed to provide insurance against a further lapse in the economic recovery.

Today, I would like to focus on how the short-term stimulus package relates to the Department of Agriculture. For USDA, the economic stimulus proposals include over $1.4 billion in additional program level above the FY 1993 levels provided by Congress.

Let me briefly discuss each of the areas in the Department that are receiving stimulus funding and then take your questions.

USDA COMPONENTS OF SHORT-TERM ECONOMIC STIMULUS PACKAGE

RURAL DEVELOPMENT

The nation's rural areas were among those hardest hit by the recession. The fiscal stimulus plan provides a number of key initiatives to provide needed assistance for the special concerns of rural areas.

Rural Water and Waste Disposal Systems

The stimulus package includes $470 million in loans and $281 million in grants for rural water and waste disposal systems. There is a sufficient backlog of requests for such assistance to ensure that this funding can be obligated quickly. Construction can begin soon after obligation of the funds, resulting in the creation of many new jobs in rural areas. When the new systems are in place, more jobs will be created by the new businesses that will be attracted to rural areas because of the availability of such services. Rural residents will be the primary beneficiaries of the initiatives as these new and improved systems alleviate health and safety hazards and lay the basis for further growth and development of their communities.

Very Low-Income Housing Repairs

The stimulus package also includes $3 million in loans and $6 million in grants for housing repairs for very low-income families. Although modest in size, this additional funding will provide opportunities for improving the living conditions of these families, while allowing them to remain in their own homes and communities. This kind of self-help program is consistent with my interest in empowerment to assist asset development and equity to help people lift themselves out of poverty.

Housing Loans

An increase of $235 million in loan guarantees for single family housing is also requested. This increase will be provided for the construction of almost 4,000 new homes and create additional housing construction jobs. Because these loan guarantees do not require an interest subsidy and there is a relatively low risk of loss due to defaults, the cost to the Government for this increase is only about $4 million.

While the program is designed to serve those who can afford to pay a commercial rate of interest for their loans, it is limited by law to families with incomes not in excess of 115 percent of median income.

National Forest Infrastructure

We are proposing to spend $188 million to enhance the environmental and recreational infrastructure on the national forests. Projects will include improvement of wildlife and fish habitat, upgrading recreation and trail facilities, and improvement of timber stands. In some parts of the country work can begin immediately. In all areas work can be completed by the end of the summer field season. While I realize that the Forest Service funds are appropriated by the Interior Subcommittee, I felt that this Committee should be aware of the total rural development effort included in the stimulus package.

Research Facilities

The package includes $38 million for major modernization and repair of Federal agricultural research facilities, including cleanup of hazardous waste sites. Projects have already been designed. Construction can be completed over a two or three year time period. Modern facilities will permit scientists to pursue advanced research to address high priority national issues such as food safety and development of environmentally sensitive production techniques.

Watershed Construction

We are requesting $47 million for emergency watershed project repair and construction to fund projects to address emergency watershed problems resulting from natural disasters, soil erosion, sedimentation, and flood damage that affect public safety and health. There is a large backlog of unfunded but planned and authorized projects. There are many projects that could be accelerated and in which funds could be obligated fairly quickly thereby creating an immediate positive impact on jobs in rural communities.

FOOD SAFETY AND NUTRITION

Meat Inspectors

We are seeking an additional $4 million appropriation to hire 160 meat and poultry inspectors in FY 1993. As you know, adding more inspectors will not eliminate the limitations of the current meat inspection system, which is based on visual examination of carcasses. While visual inspection will only detect a relatively gross level of bacterial contamination an adequate number of inspectors assures that proper slaughter and processing procedures are followed to reduce the incidence of contamination. The current workload is being met with extensive overtime and by putting processing inspectors on the slaughter lines. Processing facilities are inspected daily, whereas every carcass is inspected at slaughter. These additional inspectors will go a long way in filling the current vacancies.

WIC Program

As a first step in providing the full funding necessary to serve all low income women, infants and children that are eligible for the WIC program, $75 million is proposed to be added to the program in FY 1993. WIC participation will increase from 5.4 million in FY 1992 to 6.0 million in FY 1993, with up to 300,000 more new participants in September 1993. The Administration has established a target date of the end of FY 1996 for WIC to serve all eligible applicants currently estimated at 7.5 million people.

TEFAP

We are also requesting $23 million for the Emergency Food Assistance Program (TEFAP) to purchase commodities for needy low income persons in emergency distress. The additional commodities will be purchased and allocated to States based on the number of unemployed persons and the number of persons under the poverty line. TEFAP operates through a network of largely volunteer organizations which distribute foods donated to them locally and by the Federal government.

Child Nutrition

The Administration proposes an increase of $56 million for the Child and Adult Care Food Program (CACFP) to pay for meals and snacks at Head Start centers for the children expected to be enrolled in the proposed summer Head Start program.

We believe this stimulus package will create new jobs and accelerate the economy recovery. We ask for your support and hope the Congress will move expeditiously to enact the legislation.

Mr. Chairman, that completes my statement. I would be glad to take any questions you or Members of the Committee may have.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Special Supplemental Food Program for Women, Infants, and Children (WIC)

For an additional amount for the special supplemental food program, $75,000,000, to remain available through September 30, 1994: Provided, That these funds shall be available for grants to States that maintain the standards for eligibility which were in use on January 1, 1993: Provided further, That the Secretary may waive regulations governing allocations as necessary to ensure funds are received by States most in need and able to spend additional funds.

Existing funds should enable WIC to assist by the end of FY 1993 all pregnant women and infants who apply. This supplemental request will enable States to move towards assisting all post-partum women and children who meet current eligibility requirements. Most added participants will be children ages one through four.

This proposal would result in increased obligations of $75 million in FY 1993 and would increase FY 1993 outlays by $68 million. An estimated 300 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Emergency Food Assistance Program (TEFAP)

For an additional amount for "The Emergency Food Assistance Program", $23,481,000: Provided, That notwithstanding section 214(h) of the Emergency Food Assistance Act of 1983, as amended, commodities purchased with these funds may be delivered to States through December 31, 1993.

The Emergency Food Assistance Program (TEFAP) purchases food to give to food banks selected by the States. The food banks give the food to low-income households. Since USDA needs lead time to get food delivered, food banks may receive smaller deliveries at the beginning of a fiscal year. The Administration requests $23.5 million in FY 1993 to buy food to deliver in FY 1994. These funds will ensure a steady flow of food to food banks throughout the year.

This proposal would result in increased obligations of $23 million in FY 1993 and would increase FY 1993 outlays by $23 million. This proposal would not have an effect on jobs in FY 1993.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Child Nutrition Programs

For an additional amount for "Child nutrition programs" for the Child and Adult Care Food Program, $56,000,000, to remain available through September 30, 1994.

The Child and Adult Care Food Program pays for meals and snacks for children who participate in Head Start. This amount will pay for food service in the proposed new summer Head Start program.

This proposal would result in increased obligations of $56 million in FY 1993 and would increase FY 1993 outlays by $48 million.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

Watershed and Flood Prevention Operations

For an additional amount for "Watershed and flood prevention operations," $46,961,000 for the costs of emergency watershed protection operations and for small watershed operations, to remain available until the end of fiscal year 1993.

This supplemental request would provide $46.9 million in financial assistance for emergency watershed repair in areas damaged by recent natural disasters. Funds may also be used for financial assistance to local communities to install measures for watershed protection and water quality improvement after all eligible emergency requests have been funded. This request is part of the Rebuild America economic stimulus intended to enhance natural resource protection while increasing employment.

This proposal would result in increased obligations of $46.9 million in FY 1993 and would increase FY 1993 outlays by $23 million. An estimated total of 630 new jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL RESEARCH SERVICE

Buildings and Facilities

For an additional amount for "Buildings and facilities," to remain available until the end of fiscal year 1993; $37,569,000.

This supplemental request would provide $37.6 million for maintenance and repair activities, including hazardous waste clean-up, at Agricultural Research Service laboratories and other research facilities.

This proposal would result in increased obligations for repair and maintenance activities of $37.6 million and would increase FY 1993 outlays by $29.1 million. An estimated total of 450 new jobs would be created in FY 1993 and FY 1994.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Rural Housing Insurance Fund Program Account

For an additional amount for the "Rural housing insurance fund program account," for the costs of very low-income housing repair direct loans, $1,124,000 to subsidize additional gross obligations for the principal amount of loans not to exceed $2,818,000; and in addition, $4,297,000 for the cost of guaranteed unsubsidized section 502 loans, for total loan principal not to exceed $234,805,000.

This supplemental request would provide $2.8 million in direct very low-income housing repair loans to the Farmers Home Administration to assist very low-income individuals with home repairs, and $234.8 million in unsubsidized guaranteed single family housing loans.

This proposal would result in increased obligations of $5.4 million in FY 1993 and would increase FY 1993 outlays by $4.7 million. An estimated total of 900 new jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Very Low-Income Housing Repair Grants

For an additional amount for "Very low-income housing repair grants," $5,635,000, to remain available until the end of fiscal year 1993.

This supplemental request would provide $5.6 million in direct very low-income housing repair grants to the Farmers Home Administration to assist very low-income individuals with home repairs.

This proposal would result in increased obligations of $5.6 million in FY 1993 and would increase FY 1993 outlays by $4.7 million. An estimated total of 90 new jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND INSPECTION SERVICE

Salaries and Expenses

For an additional amount for the "Salaries and expenses," $4,000,000.

This supplemental would provide $4 million to hire 160 additional Federal meat and poultry inspectors. This would generate the equivalent of 80 full year jobs in FY 1993. FY 1993 obligations would increase by $4 million and FY 1993 outlays would increase by $4 million.

DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT ADMINISTRATION

Rural Development Insurance Fund Program Account

For an additional amount for the "Rural development insurance fund program account," for the costs of water and sewer direct loans, $66,821,000, to subsidize additional gross obligations for the principal amount of direct loans not to exceed $470,000,00.

This supplemental request would provide $470.0 million in direct water and sewer loan authority to the Rural Development Administration to meet water and waste water needs in rural America.

This proposal would result in increased obligations of $66.8 million in FY 1993 and would increase FY 1993 outlays by $1.9 million. This proposal and the proposed funding for "Rural water and waste disposal grants" together would generate an estimated 2,150 new jobs in FY 1993 and FY 1994.

DEPARTMENT OF AGRICULTURE

RURAL DEVELOPMENT ADMINISTRATION

Rural Water and Waste Disposal Grants

For an additional amount for the "Rural water and waste disposal grants," $281,767,000, to remain available until the end of fiscal year 1993.

This supplemental request would provide $281.8 million in direct water and sewer grant authority to the Rural Development Administration to meet water and waste water needs in rural America.

This proposal would result in increased obligations of $281.8 million in FY 1993 and would increase FY 1993 outlays by $5.6 million. This proposal and the proposed funding for the "Rural development insurance fund account" together would generate an estimated 2,100 new jobs in FY 1993 and FY 1994.

WEDNESDAY, FEBRUARY 24, 1993.

ECONOMIC STIMULUS PROPOSAL

WITNESS

JAMES MILLER, FORMER DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, AND CHAIRMAN OF CITIZENS FOR SOUND ECONOMY

OPENING REMARKS

Mr. DURBIN. I would like to welcome everyone to the reconvening of the Subcommittee on Agriculture and Rural Development.

At the request of Mr. Skeen, we are holding a hearing to offer a minority viewpoint on the President's economic stimulus package, and at this point I would like to turn it over to Mr. Skeen to introduce his witnesses.

Mr. SKEEN. Thank you, Mr. Chairman. I appreciate your forbearance. I have today as a witness, the only witness, Mr. Jim Miller, who is the former director of the OMB.

Mr. DURBIN. Mr. Miller, would you like to take a seat at the table?

Mr. SKEEN. I am happy to get Jim's testimony, and let him cover the rest of the Hill.

TESTIMONY OF FORMER DIRECTOR MILLER

Mr. MILLER. Thank you, Mr. Chairman.

Congressman Skeen, good to see you again.

I appreciate very much being invited here today. As you may know, not only did I serve in the Reagan Administration but I am now chairman of Citizens for Sound Economy, which is a 250,000-member and supporter organization committed to sound policies with respect to fiscal policy, regulatory policy and trade policy.

I am also the John M. Olin Distinguished Fellow at the Center for the Study of Public Choice at George Mason University.

The topic I understand that you wish to address today is the question of an economic stimulus program such as has been advocated by President Clinton.

I am here this afternoon to discourage you from adopting any kind of new spending program under the rubric of stimulus or anything else, why and specifically with respect to a stimulus program.

First, it seems to me that to characterize the present budget as anything but expansionary or stimulus on its own simply does not pass the hee-haw test. Any time you have a low rate of inflation and a $300 billion deficit, that is an expansionary fiscal policy in anyone's mind.

When we used to teach courses in economics, if someone had said on an exam this was a contractionary fiscal policy, was anything other than a stimulus, we would grade them down very badly.

Secondly, the timing is all wrong. Although I think the 3.8 percent quarterly economic growth figure for the fourth quarter is likely to be revised downward and I doubt the first quarter figure for this current quarter will be as high, clearly the economy is expanding. It is accelerating.

I do not think the stimulus program, frankly, given its relative size, size relative to the gross national product, will have very much effect one way or another. It is more likely, though, I think, to hurt the economic expansion rather than to help the economic expansion.

Third, stimulus programs are grossly—by historical evidence are grossly inefficient ways of producing jobs. Let us just take the promise of this $30 billion program producing 500,000 new jobs. Let us just take what the administration proposes and take it at face value. Well, that is $60,000 per job created.

Alternatively, we can do the sort of following mind experiment: Suppose that you took that $300 billion and you offered a $30,000 tax credit to any unemployed person who could obtain a job and keep it for a year, you would create twice as many jobs, 1 million instead of 500,000 jobs for the same amount of money. And most people offered the opportunity, most unemployed people offered the opportunity to get a $30,000 tax credit in addition to the income that they would receive from the job would be quite anxious to secure a new job.

Now, fourth, stimulus programs or jobs programs are notoriously inefficient and wasteful in the kinds of spending that they ultimately fund. They tend to fund programs and give money to state and local elected officials, who tend to use the money in wasteful ways. The General Accounting Office has tracked jobs programs in the past and found that they are quite wasteful; they do not go to very high priority spending items.

Now, let me end my remarks with two observations.

First, if the problem is insufficient demand, you really ought to choose monetary policy over fiscal policy as a way to expand that aggregate demand.

Now, whether the difficulty with aggregate demand, you might posit, is insufficient business demand, which Alan Greenspan I have heard argue, or whether it is the Fed's preoccupation with inflation as my colleagues Jim Buchanon and David Fan at George Mason have alleged, or whether the main difficulty is regulatory restraints which make it difficult for the Fed to expand the money supply, as I have argued and as President Clinton has alleged in some of his discussions, it seems to me that the way to deal with that problem of insufficient demand, if it is insufficient demand, is to address those three questions or difficulties I have identified head on and not to go through the fiscal avenues.

I know it is sometimes tempting to use fiscal policy. With fiscal policy, elected officials get to direct where the resources go. Expanding aggregate demand by the use of monetary policy allows people as individual citizens to direct where the money will go.

Now, finally, much is made of this expansion and this expansion is quite different from most economic expansions, after all, most of us who have had experience with recessions know that when a recession is over things get good right quick.

This time, things have not gotten good real quick. In fact, expansion has been quite tepid. But a lot has been made of the notion that employment growth has not kept page with the increase in output here, specifically Secretary Reisch has spoken on this point.

Well, the fact of the matter is that most economic expansions are this way. The up tick in employment tends to lag behind the increase in output. The rise in aggregate economic activity tends to pull along total employment, so just observing that it has not expanded as fast I do not think is any condemnation of the present circumstances.

But to the degree that this is an exceptional set of circumstances, that is, where employment is not catching up with the increase in aggregate output, that is no surprise to me. And it should not be any surprise to Secretary Reisch and it should not be any surprise to you.

In the past four years, we have had an orgy of legislation and regulation that has raised the relative cost of labor versus the cost of capital. And so when firms expand, they see opportunities to expand output, they are going to draw more intensively on capital inputs than on labor inputs. And a stimulus program to expand economic activity, even if it works to some extent, is not going to address that underlying problem. It will not secure the employment lag.

The way to address the employment lag is to address the excesses in the regulation that make it more difficult for companies to hire labor and to employ labor. And this is the thing that I think that we should be focusing on.

Mr. Chairman and Mr. Skeen, thank you so much for a chance to be with you today, and I will be glad to respond to any questions you might have.

Mr. SKEEN. Thank you, Mr. Miller. I want to again express my appreciation to you for you being here today on such short notice.

The problem confronting us is that we have a new administration that is very proactive. I think they are to be commended for it, but I think we are getting the cart before the horse. We are talking about spending programs before we are doing anything about the cutting process.

Mr. MILLER. Right.

Mr. SKEEN. We have never had any trouble with spending in this body. We have had an awful lot of trouble, though, in spending money wisely and saving money. I think this is one of the problems.

That is why we wanted the backside of this program to be explored and I appreciate you bringing these points up.

Let me read a GAO study completed in 1983 which deals with this so-called job creation format which we bring up repeatedly in Congress. This is in response to the 1981–82 recession.

Funds were spent slowly and relatively few jobs were created. From its review of the projects and available data, GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided and (2) project officials' efforts to provide employment opportunities for the unemployed ranged from no effort being made to working closely with state employment agencies to locate unemployed persons.

So it is a tough program to implement and I doubt seriously that we are going to get measurable results from this kind of a stimulus. Why are we doing this in such a hurry? Is this a great emergency?

One of the questions that I have in my mind is how much unexpended funds do we have in these accounts now which we have not touched on.

Mr. **Miller**. Well, I do not have the—unfortunately, my reading of the document released by the administration, it does not contain any information on unexpended funds. I mean, a regular budget would have that information available. You have a lot of appropriated funds for 1993 and the question of how much is being spent or the rate of expenditure we simply do not know or at least the public, I think, does not know. Maybe the people over at OMB have some idea. But many of these programs have long lead times.

I mean, for example, housing programs and defense programs tend to have large unexpended balances and before you go spending more, appropriating more, it seems to me that it would make sense to explore how much is there left to be spent.

But I just take issue fundamentally with the notion that we need an expansion program right now. We do not. The timing is all together wrong. I mean, in sort of a simple-minded sense, to stimulate the economy right now because of the lag involved would simply accelerate the rate of inflation. It would not create aggregate economic output because the economy relatively is doing so well.

I must tell you, Mr. Skeen, I have great concerns about this whole budget proposal. I mean, it is sort of deja vu all over again, if you look at the 1990 budget deal. You have front-loaded the tax increase and you have front-loaded a spending increase and you get to the spending attenuation in the latter years.

I was impressed by the story that Senator Boren was telling about eating spinach, and I have been using the same story but I told it green beans. I mean, you know, it is going to be hard to get Congress to do the spending cuts in the out years. There is always going to be some kind of emergency or something that will cause recontracting over the question of this budget deal, just as there was in the 1990 budget deal.

My experience with budget deals is that you can take the first year seriously and you can take the second year of a budget deal somewhat seriously. But you just forget years three, four and five because there is always something that is going to come up that is going to cause recontracting.

And so with this budget deal, you have spending increases. The first year, the president proposes to increase the deficit from the baseline, not reduce the deficit. It is only in the second year when the big tax increase kicks in do you get any reduction in the deficit.

I think what you are going to have is two years from now if you pass the deal intact, two years from now you are going to have a big—you are going to have some kind of crisis, manufactured or not, that is going to require some recontracting. You are going to have a much higher spending baseline and the deficit is going to be as high or higher than it is right now on the baseline numbers.

I think it is a very bad deal for the American people.

Mr. **Skeen**. Is there anything in the plan which you would recommend?

Mr. **Miller**. Well, there are things in the——

Mr. SKEEN. Other than that, Mrs. Custer, how do you feel about Indians?

Mr. MILLER. There are things on the spending side with the proposed savings. Some of those things look familiar. I mean, when I put together budgets under President Reagan, we asked for the termination of a lot of these things. And more power to the president to get the cuts that he identifies in his budget.

There are some things that we proposed cutting, like Amtrak, that President Clinton proposes increased spending on, $188 million increased spending on Amtrak. We tried to eliminate Amtrak. It is hard to justify, it seems to me, taxing people all over the country to provide subsidies to people who are relatively better off than the average taxpayer to ride the rails of this country.

I think he should have been much bolder on the spending side than he was. The way I look at things, we ought to have a freeze on nominal spending. That would force policymakers, you gentlemen and ladies of the Congress and the president of the United States, to reason together over where to pare out the lower spending programs and how to reduce the waste.

That is what we need. We do not need a tax increase.

A tax increase simply raises the price of private sector activity. A tax is a higher price. And so with a higher price you are going to get less of it. Less aggregate economic activity means that people are going to be worse off, not better off. And so taxes are never the answer.

And there is also this kind of convoluted notion, I think, totally convoluted, that higher taxes are going to stimulate the economy. I heard, and I hope I do not seem to be unduly personal about this, but I heard the Chairman of the Ways and Means Committee in a breakfast address in December say, and I think I am quoting correctly, he said the way to stimulate the economy is to get the money into the government as fast as possible, that is, the tax money.

I do not know of any economic theory, whether it is a monetarist theory or supply side theory or Cansian theory or Marxist or whatever where that makes any sense.

Taxes do not accelerate growth. Taxes, by the way, hardly ever reduce the deficit. I am sort of—as you know, I taught at Texas A&M, Mr. Skeen——

Mr. SKEEN. What was that university again? [Laughter.]

Mr. MILLER. Texas A&M. For two years and I spent some of my better research time there and, you know, I want to look at the data. And I had some graduate students out at George Mason, we did some work on spending behavior and on taxing behavior and just sort of a simple test of the proposition that spending rate or spending growth or restraints on spending growth, whether it is more effective in controlling the deficit or whether increased tax rates are more effective in reducing the deficit and what we found was that controlling spending had a very predictable effect on the deficit, it kept the deficit down or made it fall whereas raising tax rates did not have much effect at all.

And I think the major reason is that you gentlemen not individually but the collective, Congress as an institution tends to look at additional revenue as a budget restraint. You get more money, you spend it. And so the taxes simply get translated into more spending rather than into deficit reduction.

I think that is what you will see here.

And if you look back on it, when did we have a substantial reduction in the deficit?

We had a $71 million reduction of the deficit in fiscal 1987. In 1986, the deficit was $221 billion and in 1987 it was $150 billion. That is a record. That reduction in the deficit was accomplished with no tax increase. It was accomplished purely on the spending side. And that is the way we need to go.

When you raise taxes, you do not reduce the deficit. You reduce the deficit by restraining the growth of spending.

Mr. **Skeen**. Well, we heard for many years that the deficit is the target, I think, in everybody's mind as to the greatest ill that this country is suffering from today. Yet I seem to recall someplace, and tell me if I am wrong, that during the eight years of the Reagan Administration we increased the revenues to the Treasury by $400 billion. How much of that went to deficit reduction?

Mr. **Miller**. Well, the relative magnitude is correct. I mean, the deficit had some ups and downs during the Reagan Administration but certainly it did not eliminate the deficit by $400 billion. Most of it was spent. Most of that increase in revenue was spent.

Mr. **Skeen**. Who was in charge of the spending?

Mr. **Miller**. Well, Congress—spending is in sort of three parts: interest on the debt, which you do not have a lot of control over; then there is the discretionary spending, defense and domestic discretionary spending when you gentlemen—you start off with a zero every year, with a zero and not a dollar can be spent that you do not appropriate; then there are entitlement programs and the entitlement programs are part of permanent law and unless you gentlemen and the president and ladies and the president change that law, then the spending continues to go forward. And, of course, that is a major growth area, the entitlement programs, although in domestic——

Mr. **Skeen**. What percentage of the budget is that?

Mr. **Miller**. Pardon? Over half.

Mr. **Skeen**. The entitlement and mandated portion is around 70 percent?

Mr. **Miller**. It is over half. If you take interest out, you have programmatic spending left and it is over half of that.

Could I just throw out something I have been sort of mulling over in my own mind, something I think is quite important, and that is it seems to me that we ought to be in a position where you do not allow spending to outrun tax revenue. That is, we go to the well every year and we borrow more, right? Because we have a deficit. But we borrow more than the interest on the debt.

Maybe the first step in fiscal responsibility is to make sure that the total revenues bound total spending. So, I mean, if you—for example, if you had a loan at a bank and you were paying interest and part of the principal, that is a conventional loan, and that would be perceived as you are doing the right thing. It is a good loan. A banker will tell you that is a good loan.

But as you were just saying I cannot pay any interest, I just will pay the principal, then that is a loan that is on a watch list. If you get to the point where you are not paying interest or principal, that is a very bad loan, and the regulators will come after you. But if you have the audacity then to go back to the bank and say I cannot pay any interest and I cannot pay any principal, but I have got a hot deal on a new car, I would like to borrow some more principal, they would laugh in your face.

But that is what we do every year. We borrow not only to cover the interest, but we borrow more principal every year. And I think that we need to revaluate that.

Mr. SKEEN. I have no more questions, Mr. Chairman.

Mr. DURBIN. Thank you, Mr. Skeen.

Mr. Miller, you are better trained as an economist than I ever was. I readily concede that you would probably be able to argue rings around me when it comes to economic theory and forecasting.

I do regret, at the outset, that we did not invite someone to defend the Bush Administration today. You have referred to them during the last four years as having created an "orgy" of legislation and regulation under the Bush Administration. And you have likened the Clinton budget to the bipartisan budget summit agreement which President Bush signed. It is unfortunate that we did not invite someone from the Bush Administration to at least defend their record in office.

Let me say though that in terms of this recession and whether we have recovered, there are many of us who are very skeptical. More American businesses failed last year than at any time since 1927. Family farmers still in business today are talented and lucky to have survived the 1980s. Unemployment is still unacceptably high in America. There are many good intentioned and hard working people who cannot find the first opportunity to get jobs. When we had a new hotel open in Chicago recently, people stood in line in the snow to apply for jobs.

Mr. MILLER. Yes, I remember seeing that on TV.

Mr. DURBIN. They wanted to take these basically entry level jobs because they were desperate. Many of these folks were not young people. They now know that if they can find a job, they are likely to find one without benefits.

So to suggest that we are now embarking on some great expansionary era, I hope you are right. I sincerely hope you are right. But I would suggest that most of the people that I represent are still somewhat skeptical as to whether that is going to happen.

Now I would say that what the President is trying to do with this stimulus package, I think, is a positive step in the right direction. Obviously, you disagree. But what he has tried to do is to invest in the infrastructure by and large; and in people programs such as Headstart, WIC, and food stamps.

But in our area here, I do not know if you have had an opportunity to take a look at what the President has proposed in this subcommittee. Have you taken a look at that?

Mr. MILLER. I have taken a close look.

GUARANTEED HOUSING LOANS

Mr. DURBIN. I will just tell you, so that you will get an understanding of where he is coming from. There is a substantial investment in the guaranteed loan program for rural housing. It is a program which I think even you as a conservative and I as a liberal could agree is a success. It is a program where we leverage $4 million in federal spending into $235 million in home construction, primarily because Fannie Mae comes in, processes the loan applications and the procedure is completed quickly. The federal obligation is very limited in this situation.

There are also home repair loans for very low income individuals. There is money which will be made available for the improvement of rural water and sewer projects, the infrastructure. We also have money identified for watershed repairs and construction, which we all know to be critically important to preserve our natural resources in this country.

Some have characterized this as a pork barrel program. It is not. I do not know of a single penny passing through this committee in this supplemental that any Congressman or Senator will get his or her hands on. There is no way. These funds are going to move through to the communities that need them, based on authorizations passed in previous Congresses. And it is going to be implemented by local officials on a contract basis.

So to suggest that this is pork barrel, even though you do not use those words I have heard them used, I think is an oversimplification.

Do you not think that there is a significant difference in the fact that what President Clinton is proposing with the stimulus package, for the most part, is infrastructure investment on the spending side?

Mr. MILLER. Let me concede that the notion of trying to get employment up and trying to get the economy at full employment is a worthy goal. My disagreement is not with his goal and with your goal. But my disagreement is with the means.

Specifically, on the question of infrastructure, are there infrastructure investments in the United States that need to be made? Yes.

The problem is not that we have insufficient spending for infrastructure in the United States despite what the rhetoric tends to be generally and the understanding of the people and the media, but that infrastructure spending has continued to rise year after year in nominal terms. In real terms, it has taken some dips and ups and downs.

But we have had a good deal of spending on infrastructure. And when you consider a lot of infrastructures that have been built, and so infrastructure spending should be more in terms of maintenance than new building, I think that you have ample spending on infrastructure.

The problem is that we have spend dumbly instead of smartly in so many instances. We ought to utilize our infrastructure more intensively. When you look at a road that may be utilized in a sense of around 20 percent. We do not need to spend more money, but we need to use it and use it better.

And they are developing electronic means for metering road use, et cetera. And that is the kind of thing that we ought to be exploring.

Mr. **Durbin**. Do you think, specifically, that infrastructure investment in rural America for water and sewer modernization is wasteful?

Mr. **Miller**. No, no. It is not wasteful in the sense that in every instance it is a complete waste of money. The question is what sort of incentives are appropriate to determine where that money should be spent and how much should be spent. Having the federal government choose the amount and the way that it should be distributed, I think is grossly inferior to letting people make those choices on their own.

Mr. **Durbin**. I will tell you that each member on this Subcommittee can tell you of a community that they represent that has gone through all kinds of grief coming up with the money to modernize water and sewer systems. And without it, we certainly cannot keep people living in the town or attract businesses to it. It is just basic to life in America, much as a road is.

Mr. **Miller**. Mr. Chairman, I just could not disagree more strongly. When I was budget director, I read in the newspaper, and I heard these allegations all of the time. That without this massive public spending programs by the United States government, that the little towns would dry up and blow away. And it is simply not the case.

If there is an economic rationale for the existence of a small community, that small community will survive despite what the federal government does.

RURAL ELECTRIFICATION ADMINISTRATION

Mr. **Durbin**. I think that history may suggest otherwise and the REA is a good example of it.

Mr. **Miller**. REA by the way, Mr. Chairman, is one of my pet peeves. That is an extraordinary waste of resources.

Mr. **Durbin**. Well, Franklin Roosevelt saw it differently. And thank God, he did.

Mr. **Miller**. But REA today, that is what I am talking about. Ninety-nine percent of the rural communities are lighted. Ninety-nine percent have telephones. We continue to provide a massive public subsidy from people whose incomes are not as high as the people who are receiving the largess. You have REAs owning McDonald's hamburger chains. You have got extraordinary abuse of that program. And it is time to terminate it. I was glad to see that President Clinton proposed cutting back on it. This is a program that has succeeded. Let it end.

Mr. **Durbin**. Well, let me tell you that the President has suggested some reforms, and this committee is going to follow through with even more.

DEFICIT PROJECTIONS

Let me just close my line of questioning here. In your last year as Director of the Budget, you were asked to project what the deficit was going to be this year.

Do you recall what your projection was?

Mr. **Miller**. Which fiscal year are you talking about?

Mr. **Durbin**. Fiscal year 1988.

Mr. MILLER. My last fiscal year budget was 1989. I had fiscal years 1987, 1988, and 1989.

Mr. DURBIN. Can you recall what you projected this budget to be in 1988?

Mr. MILLER. No, I do not. Of course, it was based on presidential policy at the time, which as we know was not adopted.

Mr. DURBIN. You projected that in 1992, fiscal year 1992, our budget deficit would be $12 billion and it is $302 billion. We all make mistakes in economic projections. What Bill Clinton is trying to do is to make certain that we do have a recovery that helps American families. And I will concede to you that hindsight is very accurate. But the fact is that even with your best projections, you missed it by a mile.

Mr. MILLER. Mr. Chairman, I think that is grossly unfair, inasmuch again it was based on presidential policy. But let us go to something I think that is a fair test. Because when I came up before Appropriations, I was frequently criticized for coming up with a rosy scenario on the revenue side. The idea of make the budget look good, and make the assumptions look good, so revenues would be up there, and make the President's deficit number look good.

I got beat over the head by members of Congress and by people in the press. I went back the other day, because the numbers are now in. And I compared what I forecast with what actually took place. And for my three budgets, in 1987, I forecast revenues of $850.4 billion. The actual number was $854.1 billion. I underestimated by $4 billion.

In 1988, I estimated $916.6 billion. The actual number was $909.0 billion. I overestimated there by eight-tenths of one percent. In 1989, I estimated $964.7 billion. And the real number was $990.7 billion. I underestimated by .27 percent. And for the three years as a total, I underestimated by just a little under one percent.

So the rap about rosy scenario I think is misplaced for the three years that I was budget director.

Mr. DURBIN. Let me just conclude, Mr. Miller. I know you are convinced of your economic philosophy and the wisdom of it. But the fact is that we tried it. Trickle down was tried, and it did not work. We went from a creditor nation to a debtor nation. We tripled our national deficit and our national debt. You had your chance. Last November the American people said we want to try something new.

And I think that is what this Administration is all about. Change and being receptive to the idea that new ideas should have their day in Washington, I think, reflects very well on our government. And perhaps some day in the future you will have another crack at it with trickle down. But in the meantime, I think that the American people would like to try something different.

Mr. MILLER. Yes, sir. Your side of the argument won the election, but it still does not necessarily mean that I would agree with it.

Mr. DURBIN. I would not expect you to agree.

Mr. MILLER. We have a difference of opinion.

Mr. DURBIN. Thank you for joining us. I appreciate it.

Mr. MILLER. Thank you, sir.

Mr. DURBIN. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

It is good to see you again, Jim.

Mr. MILLER. It is good to see you, sir.

BUDGET PROJECTIONS

Mr. MYERS. I know that we had a lot of luncheon meetings back through the years. Certainly, anyone can, as you say, look back and predict pretty accurately. But I compliment you. I can say that your predictions from 4 years ago may have been a little bit off on what the economy would look like in 1992, but who was right? Who in the world did know? Look at our budget office up here and how accurate they were.

But there was not one penny that the Bush Administration spent that was not appropriated by this Democrat-controlled Congress. Not one penny. Every program that he advocated to stimulate the economy, such as the investment tax credit, he didn't get. During your administration, you were begging for it, when it went off the books, to have it put back on.

All of these things that we are now talking about giving to President Clinton were denied to Bush. So to tie their hands and say you cannot swim is a very unfair rap I must honestly say. And I am getting kind of tired of hearing it.

I know one day on the House floor during the campaign, this last campaign, down on the Democrat side of the aisle, time after time, the Republican Party under President Bush was labelled the party of the rich.

So it is a little bit unfair. But today, we are talking about the stimulus package. I cannot disagree with the stimulus package, but to categorize it as an emergency is wrong. I have not seen any emergency in there yet.

I was not able to be here yesterday to question our own Secretary of Agriculture about emergency. But this morning, I questioned two Secretaries of the President's Cabinet and asked, what emergency is here? "None at all," they said, "But this is an emergency to get people working."

Russ Limbaugh, who I think that we would be better off to listening to him now, said "jump starting the economy, as President Clinton is talking about, is like asking a car going 50 miles an hour down the road to speed up to 70." Does it need a jump start?

That is where we are today. I am not opposed to stimulus. But how we are paying for it or not paying for it concerns me very much. What I ask, and this came out of the other committee, where several of us here serve, is to have an accountability. And we are going to ask, if this bill goes to the floor next week, to have an accountability. I believe we should ask that every quarter, the agencies who are spending this money report back to us what it is doing for the economy. How many people did they employ, for instance.

That is what concerns me about this package. The items in it are good. But looking down here, the Agriculture Research Service, enhanced facility maintenance. Is the request here going to be in the request this year from the Department of Agriculture? Is it an emergency that is going to be requested? No, it is not going to be in there.

We are going to employ 450 people at a cost of $84,444 per job. Are people going to come off of the unemployment line? Those are the people that I thought we were trying to help. That is the unemployed seven percent, or whatever it is, who are unemployed.

Going on down look at this one, rural water grants. It is going to employ 2150 people at a cost of $131,000 per job. Here is the real one. The emergency food assistance programs. Emergency food assistance, they have got money right now, I am told. It is going to employ 300 people at a cost of $250,000 per person. I would like to have one of those jobs. I will quit here, and go take that job.

So if we are really trying to help those people who are unemployed standing in line today who cannot find a job, is there anything here, are any of these programs going to help those people? It does not seem like it to me.

But again, the programs may be good, but why are they not on budget? What is the emergency about these? Why can they not go through the normal process like we always do? It would have to come out of the budget act of last year.

I am disturbed by how this is being put together. I am going to have to oppose it. I would like to favor these programs. But the way that they are being presented to us and rammed down our throat, I do not see how we can.

Mr. MILLER. As I said, I do not think that it is going to stimulate the economic activity. At the margin, it is probably going to retard the rate of growth, not accelerate the rate of growth.

Mr. Myers, if I could just point this out.

Mr. MYERS. You can say what you want to on my time.

Mr. MILLER. The Chairman raised the business about my estimate of the deficit in the 1988 budget for this year. Mr. Chairman, if you will recall, that budget was put together under the outlines of Gramm-Rudman-Hollings. And if Gramm-Rudman-Hollings continued, we would be in the black now. We would not be in the red.

But of course, as you know, we had this emergency budget summit in October of 1987 following the market collapse, which so many people rushed to embrace as being the result of a budget deficit, not realizing perhaps or not fathoming that the deficit reduction was the greatest in the history of our country. And as a product of that budget summit, Gramm-Rudman-Hollings was recontracted. That goes to the point that I was making. That when you have these budget deals, do not depend on more than one or two years to their existence.

So if it had not been for Congress violating Gramm-Rudman-Hollings, I think that we would have had the kinds of estimates that I came up with in 1988.

By the way, there is something that is very, very important that people tend to miss. That is that the evidence for the decade of the 1980s and the 1990s shows quite clearly that when budgets are the product of a summit meeting, of some kind of a budget deal, that the deficit goes up. But when budgets are the product of an arm's length negotiating between the President and the Congress, deficits go down.

So I am always suspicious any time that there is a proposal for a mega deal of some sort, that the real outcome is going to be an increase in the deficit and not a reduction in the deficit.

Mr. MYERS. Well, the 1989 Budget Control Act that the President agreed to provides for the tax increase. Some of us tried to prevail upon him not to agree to that. He said we have got to get the economy moving. He tells us now, "I wish I listened to you." Because he realizes that he made a mistake. It was not his product. But it has his fingerprint, because he agreed to it. But it is a shame that he ever agreed to it. And he realizes that now, and it cost him the presidency maybe.

I remember in 1988 when you were still here, I remember we talked about this very thing, about how we are going to balance the budget. And you came out very clearly, what you spoke about here today. We have not done any of those things that you spoke about. So to criticize you for your projections here, that nothing you advocated worked, is wrong. If we had done what you suggested, and the Administration suggested, maybe it would have reduced the deficit.

Mr. MILLER. If it had been adopted, yes.

Mr. MYERS. But again, the Congress refused to even take a look at it, let alone to bring it up for a vote. I can recall the last balanced budget we had, the honest balanced budget was 1969.

Mr. Chairman, you were here. Mr. Smith, you were here. If you look at what happened with that 1969 balanced budget year, we had a surplus. Interest rates came down, and business thrived. There was money left in the private sector. You did not have to come to Washington to look for the money. That is the last balanced budget we had, an honest one.

Mr. MYERS. I hope we will get down to business, but, again, we have $3.6 billion next year in cuts proposed but some of those you have to question about how much is "smoke and mirrors." Payments on social security taxes, for instance, can't be considered both revenue and a cut in spending. It cannot be counted on both sides of that ledger, but they are doing it right now.

If the projections of the President's economic advisor are correct, the average cost to the average taxpayer who earns $30,000 will be an additional $158 a year. I do not think the President tried to raise a family of three or four on $30,000.

In Indiana, it would be $258 in taxes per family for his BTU energy tax. That is the average. And then there is a hidden tax here that is passed on to businesses and corporations estimating at $60 to $75. That is $399 right there in additional tax to that family of $30,000 income.

Now you get into the health care. Already we are talking about $60 to $75 billion additional each year. That would add another $300 to that family of $30,000 income. That is about $800 in additional taxes per year.

How are they going to buy things, shoes for their children, food for them, when they are already right up to here? How are they going to do it without going into debt or cutting back their standard of living?

Mr. MILLER. That is right. I mean, not only that, Mr. Myers, I mean if you read Marty Feldstein's piece in the Wall Street Journal yesterday, I think he outlined it very, very well. He says, you know, people change their income levels just a bit and the government is likely to end up with no more money with these higher tax rates. You have a higher price on private sector activity, you get less of it, and the amount of review that is generated for the Federal Government may not be changed. And so all you are doing is punishing the private sector, not generating a single benefit. Certainly not reducing the deficit.

1982 TAX ACT

Mr. **Myers**. I will close with this. Back in 1982, President Reagan, proposed a tax cut that I was opposed to, the so-called "tax reform." He called me in Florida when I was down there on recess during the Christmas holidays, and said, "you have got to support my bill." I did not buy off on that package.

I will never forget going down to his quarters up there, sitting on that striped couch.

Mr. **Miller**. Yes.

Mr. **Myers**. He said, "if you in Congress do not have the money, you will not be able to spend it." I said, "Mr. President, I have been here a few more years than you have. It just does not work that way." It still does not today. We spend as much as we want to, we tax as much as we can get away with, and we borrow the difference. Things have not changed.

And he bought off on that package. You recall, for every dollar of income, we were going to cut $3 in spending.

Mr. **Miller**. Right, he did not get it. He told me that 25 times, if he told me it once, Jim, I did not get the $3 for every dollar.

Mr. **Myers**. That is right.

Mr. **Miller**. And, you know, one thing that kind of bothers me, if I might, you know, is the characterization of that 1982 tax package as being the, you know, rivaling what President Clinton proposes in his tax package.

The fact of the matter was that 1982 took back about $1 of the $4 tax reduction. So, I mean, it was taking back $1 for the $4 that he had gone before, so you ought to net that out. It is $3 for every $1 tax increase.

Mr. **Myers**. Thank you for your testimony.

And, Mr. Skeen, thank you for having the hearing. Thank you.

Mr. **Miller**. Thank you, sir.

Mr. **Myers**. Keep advising us, will you? We need the help.

Mr. **Miller**. Yes, sir.

Mr. **Durbin**. Thank you, Mr. Myers.

Are there any questions?

Mr. Miller, thank you for joining us today.

Mr. **Miller**. I appreciate the opportunity, and I will be glad to respond to the committee in any way in the future.

Mr. **Skeen**. Thank you, Mr. Miller, and thank you, Mr. Chairman.

Mr. **Durbin**. You are welcome, Mr. Skeen.

SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES

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JOHN G. OSTHAUS, GEORGE H. SCHAFER, SALLY A. CHADBOURNE, and SARA MAGOULICK,
Subcommittee Staff

TUESDAY, FEBRUARY 23, 1993.

U.S. DEPARTMENT OF COMMERCE

WITNESSES

HON. RONALD H. BROWN, SECRETARY OF COMMERCE

ALAN P. BALUTIS, DIRECTOR, BUDGET, PLANNING, AND ORGANIZATION

MARK E. BROWN, DIRECTOR, OFFICE OF BUDGET

JOHN LYONS, ACTING UNDER SECRETARY FOR TECHNOLOGY

TOM SUGRUE, ACTING ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION

DIANA JOSEPHSON, DEPUTY UNDER SECRETARY FOR OCEANS AND ATMOSPHERE

CRAIG SMITH, ACTING ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

LORETTA YOUNG, ACTING DIRECTOR OF THE MINORITY BUSINESS DEVELOPMENT AGENCY

Mr. SMITH of Iowa. This morning, we will begin our hearings on the President's Economic Stimulus Package with the Department of Commerce. The Commerce piece of this package totals approximately $358 million. We will insert the justification for this request into the record at this point.

Testifying on behalf of this request this morning is the new Secretary of Commerce, Ron Brown. Mr. Secretary, we appreciate you rearranging your schedule to come before us this morning. Our time is short, and we have a great deal of information to sort through, so I will ask my fellow Members to keep their questions short—no more than five minutes per Member—and focus on the fiscal year 1993 component of the stimulus package. As you know, the Secretary will be back before us again next week to discuss the policy direction for the Department and fiscal year 1994 issues.

Mr. Secretary, we will insert your statement into the record at this point and ask you to begin your testimony.

STATEMENT OF SECRETARY BROWN

Secretary BROWN. Thank you very much, Mr. Chairman. It is an honor for me to be here with you this morning, the first time I have had an opportunity to appear before your subcommittee. I have a brief opening statement and I would be pleased to answer questions of Members of the committee. Last week President Clinton called on you and your colleagues in the Congress to act quickly on a $30 billion package of investments designed to create jobs and guarantee a strong recovery. I appreciate your moving so rapidly on that request.

I must underline the fact that the administration's stimulus package is but a part of our comprehensive economic plan, as you noted, Mr. Chairman. I am pleased to be here to present the Department of Commerce's portion of the administration's 1993 economic stimulus supplemental. We are seeking $358 million in five important agencies of the department, NIST, NTIA, NOAA, EDA, and MBDA.

Let me introduce those who are accompanying me from each of those bureaus. Dr. John Lyons, Acting Under Secretary for Technology; Tom Sugrue, Acting Assistant Secretary for Communications and Information; Diana Josephson, Deputy Under Secretary for Oceans and Atmosphere—I had the opportunity to introduce her yesterday to the NOAA staff and our Commerce staff. She was here with NOAA over a decade ago and we were fortunate enough to be able to entice her back as part of the Clinton–Gore–Brown team at the Commerce Department. Finally, Craig Smith, Acting Assistant Secretary for Economic Development, and Loretta Young, Acting Director of the Minority Business Development Agency.

They will follow my remarks and discuss the specific plans and the technical details of their part of the Commerce request. The stimulus package is designed to ensure that the recovery from the recession is strong and is durable. It will provide a boost to the economy in the short run and create up to a half a million new jobs. Moreover, it is a down payment on longer-run investment.

We selected investment projects that would be started quickly and ones that would also create new jobs. In Commerce, the supplemental funds will support jobs in areas that are among the President's and my highest priorities.

First and foremost, technology, Mr. Chairman, and I know that pleases you because I know of your historic commitment to technological advancement and to moving from military technology to civilian technology. Telecommunications, environmental infrastructure, economic development, and minority business. Let me highlight the department's request.

The Advanced Technology Program at the National Institute of Standards and Technology provides matching grants for industry-led research and demonstration projects. These grants are used to develop and commercialize precompetitive generic technologies and refine manufacturing practices. This work can help move promising laboratory concepts to the point of usefulness to American business.

The President is proposing an additional $103 million for the program in this current year. That will allow us to double the number of awards in the program's current round of competition and to hold a second competition later this year with another 60 new awards. The Department will be able to support almost 100 more new private/public sector partnerships to promote research and development.

NIST will also participate in a multi-agency effort for high-performance computing and networking, and that amount is $14 million. An advanced manufacturing systems and networking testbed will be created at NIST to, one, encourage rapid improvement in the technology, two, permit inter-operability of hardware and software, and three, to stimulate our exports.

The development of a broadband, interactive telecommunications highway linking the Nation's schools, libraries and health care facilities and governments and other public information producers could pay enormous dividends to our economy. Interactive networks such as these are in their very early stages of development.

The President proposes to make $64 million available to the National Telecommunications and Information Administration to accelerate development of such information highways. NTIA will use existing authorities of the Public Telecommunications Facilities Program to provide Information Superhighway grants.

With $81 million for the National Oceanic and Atmospheric Administration, we will be able to accelerate our Weather Service Modernization Program, as well as invest in the equipment needed for our environmental fisheries and safety-related facilities. All these funds can be used for the pending procurements this year.

For the past 12 years my predecessors came before you and urged the elimination of the Economic Development Administration. But when there was an urban crisis or a natural disaster, they came back up asking for help through EDA. I would like to end the quest to wipe out EDA. I see a key role for the Economic Development Administration in the Department of Commerce.

Therefore, the President is requesting an additional $94 million to be used in economically distressed urban and rural areas to rebuild basic infrastructure, industrial park, water and sewer improvements, access roads to industrial sites. These grants will also be used to plan economic development in these distressed areas.

Finally, I am requesting $2 million for the Minority Business Development Agency. I want to revitalize this agency so it can provide important technical assistance to minority businesses around the country. They need help in writing successful loan applications, developing marketing plans, and upgrading accounting practices. These additional resources will preserve the agency this year and allow us to plan what I hope will be a dynamic future.

I will be back before this committee in a little over a week to outline our plans for Commerce and discuss our goals for fiscal year 1994 and beyond. I look forward then to discussing such aspects of the 1994 NIST fiscal year budget as I can prior to its release in late March.

Let me close by saying I feel it is a new day for the Commerce Department. I intend to make it a strong advocate for a new public/private partnership. That partnership will take form in order to revitalize America's economic competitiveness. This supplemental is but a first step. As I indicated in our discussions at the National Economic Council, we talked about putting together an economic recovery plan that was not three separate segments but actually was a flow between a stimulus plan, an investment plan and a deficit reduction plan. We believe we have done that.

Mr. Chairman, I would be very pleased to answer questions of you or any Members of the subcommittee.

[The prepared statement of Secretary Brown follows:]

STATEMENT BY THE SECRETARY OF COMMERCE
RONALD H. BROWN
BEFORE THE HOUSE APPROPRIATIONS
SUBCOMMITTEE
FOR COMMERCE, JUSTICE, AND STATE
DEPARTMENTS, THE JUDICIARY AND
RELATED AGENCIES

FEBRUARY 23, 1993

MR. CHAIRMAN, MR. ROGERS AND MEMBERS OF THE SUBCOMMITTEE. LAST WEEK, PRESIDENT CLINTON CALLED ON YOU AND YOUR COLLEAGUES IN THE CONGRESS TO ACT QUICKLY ON A $30 BILLION PACKAGE OF INVESTMENTS DESIGNED TO CREATE JOBS AND GUARANTEE A STRONG RECOVERY. I APPRECIATE YOUR MOVING RAPIDLY ON THAT REQUEST. I MUST UNDERLINE THE FACT THE ADMINISTRATION'S STIMULUS PACKAGE IS BUT A PART OF OUR COMPREHENSIVE ECONOMIC PLAN. I AM PLEASED TO BE HERE TO PRESENT THE DEPARTMENT OF COMMERCE PORTION OF THE ADMINISTRATION'S 1993 ECONOMIC STIMULUS SUPPLEMENTAL. WE ARE SEEKING $358 MILLION IN FIVE IMPORTANT AGENCIES OF MY DEPARTMENT - NIST, NTIA, NOAA, EDA, AND MBDA.

LET ME INTRODUCE THOSE ACCOMPANYING ME FROM EACH OF THOSE BUREAUS:

JOHN LYONS -- ACTING UNDER SECRETARY FOR TECHNOLOGY
TOM SUGRUE -- ACTING ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION
DIANA JOSEPHSON -- DEPUTY UNDER SECRETARY FOR OCEANS AND ATMOSPHERE
CRAIG SMITH -- ACTING ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT
LORETTA YOUNG -- ACTING DIRECTOR OF THE MINORITY BUSINESS DEVELOPMENT AGENCY

THEY WILL FOLLOW MY PRESENTATION AND DISCUSS THE SPECIFIC PLANS AND THE TECHNICAL DETAILS OF THEIR PART OF THE COMMERCE REQUEST.

THE STIMULUS PACKAGE IS DESIGNED TO ENSURE THAT THE RECOVERY FROM THE RECESSION IS STRONG AND DURABLE. IT WILL PROVIDE A BOOST TO THE ECONOMY IN THE SHORT RUN AND CREATE UP TO HALF A MILLION NEW JOBS. MOREOVER, IT IS A DOWN PAYMENT ON LONGER-RUN INVESTMENT.

WE SELECTED INVESTMENT PROJECTS THAT WOULD BE STARTED QUICKLY AND ONES THAT WOULD ALSO CREATE NEW JOBS. IN COMMERCE, THE SUPPLEMENTAL FUNDS WILL SUPPORT JOBS IN AREAS THAT ARE AMONG THE PRESIDENT'S -- AND MY -- HIGHEST PRIORITIES:

- TECHNOLOGY
- TELECOMMUNICATIONS
- ENVIRONMENTAL INFRASTRUCTURE
- ECONOMIC DEVELOPMENT
- MINORITY BUSINESS

LET ME HIGHLIGHT THE DEPARTMENT'S REQUEST.

- THE ADVANCED TECHNOLOGY PROGRAM AT THE NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY PROVIDES MATCHING GRANTS FOR INDUSTRY-LED RESEARCH AND DEMONSTRATION PROJECTS. THESE GRANTS ARE USED TO DEVELOP AND COMMERCIALIZE PRE-COMPETITIVE GENERIC TECHNOLOGIES AND REFINE MANUFACTURING PRACTICES. THIS WORK CAN HELP MOVE PROMISING LABORATORY CONCEPTS TO THE POINT OF USEFULNESS TO AMERICAN BUSINESS.

  THE PRESIDENT IS PROPOSING AN ADDITIONAL $103 MILLION FOR THE PROGRAM IN THIS CURRENT YEAR. IT WILL ALLOW US TO DOUBLE THE NUMBER OF AWARDS IN THE PROGRAM'S CURRENT ROUND OF COMPETITION AND TO HOLD A SECOND COMPETITION LATER THIS YEAR WITH ANOTHER 60 NEW AWARDS. THE DEPARTMENT WILL BE ABLE TO SUPPORT ALMOST 100 MORE NEW PRIVATE-PUBLIC SECTOR PARTNERSHIPS TO PROMOTE RESEARCH AND DEVELOPMENT.

- NIST WILL ALSO PARTICIPATE IN A MULTI-AGENCY EFFORT FOR HIGH-PERFORMANCE COMPUTING AND NETWORKING ($14 MILLION). AN ADVANCED MANUFACTURING SYSTEMS AND NETWORKING TESTBED WILL BE ESTABLISHED AT NIST TO:
  - ENCOURAGE RAPID IMPROVEMENT OF THE TECHNOLOGY
  - PERMIT INTER-OPERABILITY OF HARDWARE AND SOFTWARE, AND
  - STIMULATE U.S. EXPORTS

- THE DEVELOPMENT OF A BROADBAND, INTERACTIVE TELECOMMUNICATIONS HIGHWAY LINKING THE NATION'S SCHOOLS, LIBRARIES, HEALTH CARE FACILITIES, GOVERNMENTS AND OTHER PUBLIC INFORMATION PRODUCERS COULD PAY ENORMOUS DIVIDENDS TO THE U.S. ECONOMY. INTERACTIVE NETWORKS SUCH AS THESE ARE IN THEIR VERY EARLY STAGES OF DEVELOPMENT. THE PRESIDENT PROPOSES TO MAKE $64 MILLION AVAILABLE TO THE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION TO ACCELERATE DEVELOPMENT OF SUCH INFORMATION HIGHWAYS. NTIA WILL USE EXISTING AUTHORITIES OF THE PUBLIC TELECOMMUNICATIONS FACILITIES PROGRAM TO PROVIDE "INFORMATION SUPERHIGHWAY" GRANTS.

- WITH $81 MILLION FOR THE NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION, WE WILL BE ABLE TO ACCELERATE OUR WEATHER SERVICE MODERNIZATION PROGRAM AS WELL AS INVEST IN THE EQUIPMENT NEEDED FOR OUR ENVIRONMENTAL, FISHERIES AND SAFETY-RELATED FACILITIES. ALL THESE FUND CAN BE USED FOR PENDING PROCUREMENTS THIS YEAR.

- FOR THE PAST 12 YEARS, MY PREDECESSORS CAME BEFORE YOU AND URGED THE ELIMINATION OF THE ECONOMIC DEVELOPMENT ADMINISTRATION. BUT WHEN THERE WAS AN URBAN CRISIS OR A NATURAL DISASTER, THEY CAME BACK UP ASKING FOR HELP THROUGH EDA. I'D LIKE TO END THAT QUEST TO WIPE OUT EDA.

  I SEE A KEY ROLE FOR EDA IN COMMERCE. THEREFORE, THE PRESIDENT IS REQUESTING AN ADDITIONAL $94 MILLION TO BE USED IN ECONOMICALLY DISTRESSED URBAN AND RURAL AREAS TO REBUILD BASIC INFRASTRUCTURE:

  - INDUSTRIAL PARKS
  - WATER AND SEWER IMPROVEMENTS
  - ACCESS ROADS TO INDUSTRIAL SITES

  THE GRANTS WILL ALSO BE USED TO PLAN ECONOMIC DEVELOPMENT IN DISTRESSED AREA.

- FINALLY, I AN REQUESTING $2 MILLION FOR THE MINORITY BUSINESS DEVELOPMENT AGENCY. I WANT TO REVITALIZE THIS AGENCY SO IT CAN PROVIDE IMPORTANT TECHNICAL ASSISTANCE TO MINORITY BUSINESSES AROUND THE COUNTRY:

  - WRITE SUCCESSFUL LOAN APPLICATIONS
  - DEVELOP MARKETING PLANS
  - UPGRADE ACCOUNTING PRACTICES

  THESE ADDITIONAL RESOURCES WILL PRESERVE THE AGENCY THIS YEAR AND ALLOW US TO PLAN ITS DYNAMIC FUTURE.

I WILL BE BACK BEFORE THIS COMMITTEE IN A LITTLE OVER A WEEK TO OUTLINE OUR PLANS FOR COMMERCE AND DISCUSS OUR GOALS FOR FY 1994 AND BEYOND. I LOOK FORWARD THEN TO DISCUSSING SUCH ASPECTS OF THE FY 1994 BUDGET AS I CAN PRIOR TO ITS RELEASE IN LATE MARCH.

LET ME CLOSE BY SAYING I FEEL IT IS A NEW DAY FOR THE COMMERCE DEPARTMENT. I INTEND TO MAKE IT A STRONG ADVOCATE FOR A NEW PRIVATE-PUBLIC PARTNERSHIP TO REVITALIZE AMERICA'S ECONOMIC COMPETITIVENESS. THIS SUPPLEMENTAL IS BUT A FIRST STEP.

I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Economic Development Assistance Programs

For an additional amount for "Economic development assistance programs," $93,922,000.

This supplemental request would make additional funds available to the Economic Development Administration (EDA) for grants to States, local governments, Indian Tribes, and private and public non-profit organizations to promote the long-term recovery of economically distressed areas. Most EDA funds are awarded to projects that help rebuild the Nation's basic infrastructure -- industrial parks, water and sewer improvements, access roads to industrial sites. Other grants are awarded to help localities plan for economic development and to recover from sudden economic problems, such as those resulting from hurricanes, floods, and other disasters.

This proposal would result in increased obligations of $93.9 million in FY 1993 and would increase FY 1993 outlays by $9.4 million. An estimated 850 jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF COMMERCE

MINORITY BUSINESS DEVELOPMENT AGENCY

For an additional amount for "Minority business development", $1,878,000 to remain available until September 30, 1993.

This supplemental request would provide funds for the Minority Business Development Agency. Funds are to cover an anticipated administrative shortfall. Twenty-five percent of the current population of the United States is Black, Hispanic, Asian, or Pacific Islander. By the year 2050, these groups are projected to make up 48 percent of the U.S. population. Minority-owned businesses are estimated to make up about 6 percent of all businesses. Minorities must be brought into the mainstream of the U.S. economy

This proposal would result in increased obligations of $1.9 million in FY 1993 and would increase FY 1993 outlays by $1.9 million.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Operations, Research, and Facilities

For an additional amount for "Operations, research, and facilities," $80,773,000, to remain available until expended.

This supplemental request would provide for the acceleration of weather service modernization and related improvements in atmospheric prediction technologies, modeling and process science, and for the procurement of computers and other equipment to enhance program-related operational and research efforts.

This proposal would result in increased obligations of $80.8 million in FY 1993 and would increase FY 1993 outlays by $67.0 million. An estimated total of 130 new jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF COMMERCE

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Scientific and Technical Research and Services

For an additional amount for "Scientific and technical research and services," $14,088,000, to remain available until expended.

This supplemental request would provide funds for the development of high performance computing applications. This proposal is described in the Information Infrastructure and Technology Act introduced by then Senator Gore. This program is part of the multi-agency High Performance Computing and Communications program, which includes development and deployment of new applications for education, libraries, manufacturing, and health care.

This proposal would result in increased obligations of $14.1 million in FY 1993 and would increase FY 1993 outlays by $11.3 million. An estimated 140 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF COMMERCE

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Industrial Technology Services

For an additional amount for "Industrial technology services," $103,315,000, to remain available until expended.

This supplemental request would provide funds for the Advanced Technology Program to increase matching grants available for industry-led research and development, where the research goals and objectives are conceived and carried out by industry, not government. Proposals are selected through a rigorous and fair competition with proposals reviewed by both technical experts and private sector business experts to ensure proposals have both technical and business merit. Eligibility requirements promote cooperative research and strategic alliances in U.S. industry.

This proposal would result in increased obligations of $54.5 million in FY 1993 and would increase FY 1993 outlays by $32.9 million. An estimated 330 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF COMMERCE

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Public Telecommunications Facilities, Planning, and Construction

For an additional amount for "Public telecommunications facilities, planning, and construction," $63,867,000, to remain available until expended, of which not to exceed $2,818,000 shall be available for program administration as authorized by section 391 of the Communications Act of 1934, as amended.

This supplemental request would promote the development of broadband, interactive telecommunications networks linking the Nation's schools, libraries, governments, and other public information producers. Grants would be awarded to States, local governments, universities, school systems, and other non-profit groups to connect public facilities in such a network or to develop plans for statewide and, eventually, nationwide systems. This proposal should accelerate the expansion of interactive networks now in the early stages of development.

This proposal would result in increased obligations of $37.6 million in FY 1993 and would increase FY 1993 outlays by $2.8 million. An estimated total of 380 new jobs would be generated by this proposal in FY 1993 and FY 1994.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Salaries and Expenses

For an additional amount for "Salaries and expenses", $8,829,000.

This supplemental request would provide funds to increase the number of enforcement staff in Equal Employment Opportunity Commission (EEOC) field offices. This financing would enable EEOC to effectively and efficiently process the new cases filed pursuant to the provisions of the Americans with Disabilities Act of 1990 and the Civil Rights Act of 1991. Enhanced enforcement of these Acts would enable all Americans to develop their full potential in the workplace, increasing the overall productivity of the American economy.

This proposal would result in increased obligations of $8.8 million in FY 1993 and would increase FY 1993 outlays by $8.3 million. An estimated 160 new Federal jobs would be generated by this proposal in FY 1993.

SMALL BUSINESS ADMINISTRATION

Business Loans Program Account

For an additional amount for "Business loans program account" for the cost of guaranteed loans authorized by section 7(a) of the Small Business Act, $140,883,000, to remain available until expended.

This supplemental request would support an additional $2.6 billion in section 7(a) loan guarantees. Demand for the program has increased substantially over the past 18 months as many banks have become increasingly reluctant to lend to small firms because of the general weakness of the economy and the tight regulatory environment within which banks must operate. Given this high demand, it is expected that without supplemental funds the current appropriation for the program will be exhausted by early May forcing a shutdown of the program until the new fiscal year.

This proposal would result in increased obligations of $141 million in FY 1993 and would increase FY 1993 outlays by $42 million. An estimated total of 12,100 new jobs would be generated by this proposal in FY 1993 and FY 1994.

Mr. **Smith** of Iowa. Thank you very much for your statement. I will hold my questions until last. I will yield to Mr. Carr first.

INFORMATION HIGHWAYS

Mr. **Carr**. Thank you, Mr. Chairman, and it is a delight to have you with us and I am delighted at your request. I have just a couple of questions. One has a lot to do with the information highway concept. I think we have all heard a lot about that during the election campaign. It is something a lot of us have given some thought to over the years. In fact, there is quite a bit of information and highway work going on in the private sector today.

One that comes to mind is INTERNET which was kicked off by the Federal Government, which used to be owned by the Federal Government. It now seems to have gone into the never-never land between the public and private sector. It is part public and it is part private, so it is really here and now? Where do you see your effort now in this supplemental adding to what is already there?

I am not quite sure I know where that is leaving off and what is coming forward. There is a tremendous amount of money, far more than I think the administration's planning on putting forward to this being devoted by the private sector already, and the—that highway, that information highway already exists, doesn't it? And then the question is, where is it inadequate and where are you taking us with it and maybe you can just——

Secretary **Brown**. Certainly. First, I agree with you, much is going on in the private sector. It is my view that we don't have a highway system yet. We need one. We encourage the investment that the private sector is making. We think the major impetus has to come from the private sector—certainly the overwhelming majority of the dollars have to come from the private sector.

Our effort is to speed up the time when there really will be an information superhighway. You are right, it has been talked about a lot. It was certainly emphasized in the campaign. It is one of the things that was most encouraging to me about coming to the Commerce Department as Secretary, because it is something that I am very excited about.

I do think, Mr. Carr, that the public sector does have a role to play in help stimulating the speed with which we reach the day when we really do have a telecommunications superhighway. We are not intending to favor one technology over another or one way of delivering information over another. There is talk about fiber optics, there is talk about satellites. We ought to explore both. We ought to finally make judgments as to what gets us there fastest and best.

And that is exactly what we are doing. Although I don't want to diminish the amount of money—$64 million is a lot of money—but in the context of the total investment, I think you can see it is just a small part. We might even look at it as seed money to speed development of a telecommunications superhighway system.

I am familiar with some of the things that are going on now. Some of them are moving at a good pace, others are moving more slowly than we want. And as you know, sometimes the private sector is unwilling to commit resources early until they see that there is really going to be a government/private sector partnership and that is what we are trying to demonstrate.

I know it is a surprise to some that we can achieve spend-out rates that justify inclusion in a stimulus package, but we went through a lot of discussion on this. I assure you we can achieve those spend-out rates because obviously our objective is to create jobs.

INTERNET

Mr. **Carr**. Relative to INTERNET specifically, is some of this money going to be used to augment INTERNET's capability? I know that if you are part of a large corporation, part of a large university, you are part of a large government entity and you are on local distributed networks, typically you can get into INTERNET.

Now, if you are the average person who doesn't have a—what you might call a public server to go through to get into INTERNET, is some of this money going to help get INTERNET to the average computer user who may not be connected to a large entity that is itself involved in INTERNET?

Secretary **Brown**. My answer to that, Congressman Carr, is yes. As you know, most of the money is for a grant effort that we can get out quickly, and I see no reason to believe that some of those grants couldn't be involved with INTERNET.

Mr. **Carr**. Thank you, Mr. Chairman.

Mr. **Smith** of Iowa. Mr. Kolbe.

EMERGENCY DESIGNATION

Mr. **Kolbe**. Thank you, Mr. Chairman. Mr. Secretary, again, welcome for the first time before this committee. I have to confess that I am a little stressed today that all the subcommittees are holding these hearings simultaneously. We are given very little time, very little opportunity to question any of the aspects of this supplemental appropriation, and I believe your time here today is very, very limited.

And I find it very difficult to believe that in 45 minutes we can adequately review a program of this size, but I would like to begin by asking you about the need for this as an emergency. We have got some very good economic data recently, unemployment declined two-tenths of a percent in January, GDP rose 3.8 percent the last quarter. Durable goods were up 8.7 percent in December. It is the largest one-month increase in two years.

Would you tell me why you see the emergency that this needs to be rushed through today, this week, in Congress?

Secretary **Brown**. Yes, Mr. Kolbe. Let me say that I was encouraged, as you are, by some of the new economic data, but we have been going through this for several years. It is like a roller coaster ride. We get data that looks good and bad. Some people believe when it looks good, we are into in a full-blown economic recovery. The Clinton administration doesn't happen to believe that.

Although there are some good signs, the employment numbers are not good. We are still having plant closings and layoffs as was demonstrated just a week or so ago. It has not—the recovery, if there is one going on—yet shown itself in the work force, and we continue to be concerned. We consider this package to be really insurance to keep us from moving into another downturn.

As we went through our conversations about the entire plan, the President continually asked two questions. One was what impact did this have on employment and can we really create jobs for our people?

Second what is the distributive impact of the decisions that we are going to make? Are American workers really going to benefit? We believe, Congressman Kolbe, that it continues to be a very, very difficult situation, a very dangerous situation, and the reason that we have put the plan together as we have is to make sure that the stimulus package is not just standing by itself, but is a precursor to the longer term investment package. I think we all agree that we need investment in our economy.

We might disagree on the amount and where it should be directed, but if we are going to turn our economy into an investment-directed economy rather than a consumption-obsessed economy, it seems to us that these measures are needed.

Mr. KOLBE. Well, I may be shaky in my memory of my economics courses in economics history, but it seems to me from my study of economic cycles, that in an upturn, when you come out of a recession, the last thing to improve is employment and, indeed, that is actually an encouraging sign because it means productivity gains are very substantial; is that not true?

Secretary BROWN. As you know, Congressman, economists differ on many of these battles as we have seen over the last several years. We have seen some economic theories that turned out to get us in a lot of trouble as far as our long term-economic interest. I agree that employment generally does lag, but I think for us to sit idly by and watch it lag when we have the opportunity to intervene and do something about it to encourage immediate employment, such as through summer youth employment, seems to me very important in our distressed urban and distressed rural areas. And it just seems to me that with all of the unemployed people that we still have in America, with them listening to these gross macroeconomic figures coming out of the Department of Commerce and the Department of Labor, it doesn't give them much reason for hope when they are still unemployed or underemployed.

JOB CREATION/ECONOMIC STIMULUS

Mr. KOLBE. Mr. Secretary, I appreciate the concern there, but you surely aren't going to suggest seriously that summer youth jobs create long-term employment or give job skills, are you?

Secretary BROWN. I certainly will suggest that they get you job ready. Too many people, young people in our urban and rural areas, aren't even ready for job training. I think it helps build the kind of attitudes that are necessary for preparation for work and I would certainly hope that much of this employment would lead to full-time permanent employment, certainly employment readiness.

Mr. KOLBE. I would hope that would be the case but I think you will find that the studies that have been done on these programs since the 1960s will suggest to you that that is simply not the case.

If the purpose of the stimulus plan is to jump-start the economy, how is $16 billion of additional spending in a $6 trillion economy, that is one quarter of 1 percent of GDP, going to really stimulate the economy?

Secretary BROWN. I would acknowledge, Congressman Kolbe, it is a modest plan. The administration called it a modest plan. We have not, as many people called for a $60 or $70 billion stimulus program. There are others who evidently take the position that you take, that it is not necessary. We thought a modest plan was appropriate, was necessary, fit into our long-term economic plans, and that we think is entirely appropriate.

Mr. KOLBE. Two other questions. One, it looks to me like a $30 billion stimulus package, that includes tax incentives on one side and spending on the other side and from that, the total estimate by the administration is 500,000 jobs, that is $62,000 per job. Does that seem like a reasonable cost to you?

Secretary BROWN. Seems like a good investment to me for a stimulus program. Our alternative is to watch people wander in unemployment lines. With a disruption to their families, it seems to me that we have responsibility to take some concerted action. This is just one small step.

The investment package is another step, most important in getting our economy going again. Building for a long-term future is a step that I believe we need to take.

Mr. KOLBE. Most of these are construction jobs. They are not going to last.

Secretary BROWN. Listen, for an unemployed worker, construction jobs are pretty good jobs, Congressman Kolbe.

Mr. KOLBE. Construction jobs are very good jobs, but they are not permanent jobs, so $62,000 for a short-term job——

Secretary BROWN. They might or might not be short term. As you know, some of these projects will be long-term projects. Rebuilding our infrastructure is not going to be done overnight, and not just through the stimulus program. As I indicated, the reason we put the program together as we have is so we attach the stimulus program to the investment program. A lot of things going on in the stimulus program are projects that are in the pipeline that will be continuing over a long period. If the Congress in its wisdom adopts the President's plan, many of these jobs will be virtually full time, long-term employment.

Mr. KOLBE. I don't know what assurance you would have in the way of construction, for example, that construction companies won't simply put people on overtime, double time, rather than hiring new people. If there is a shortage in an area of skills, how can you guarantee it is going to create new jobs?

Secretary BROWN. Our view is, Congressman, that after reviewing the programs and projects already in the pipeline, after checking them out thoroughly, we are convinced that they will create new job opportunities for unemployed people.

DEFICIT REDUCTION PROPOSALS

Mr. KOLBE. My last question. In his State of the Union address or his speech to us last week, the President did not give us any deadlines on when he expected us to do any of the other parts of the package, including the deficit reduction. We passed this $31 billion of public works, make work projects. What assurance do we have that we are going to get deficit reduction down the road given the track record of Congress in that regard?

Secretary BROWN. Those of us, Congressman, who have had experience in dealing with the Congress know that probably the last thing you want to do is give Congress deadlines. That is not the way to create a partnership between the executive and legislative branch of government. We plan to have that kind of constructive partnership.

The assurance I give you is that the President has constantly said this is a package—it has to be viewed as a package—it should not be chopped up and split apart. He has also said no tax increases until there is deficit reduction, until there is cost cutting, real savings.

The President of the United States has made that commitment not only to the Members of Congress but to the American people.

Mr. KOLBE. But we are going to get the spending increases before we get the spending cuts.

Secretary BROWN. No. If you have a stimulus plan, Congressman, reason would tell you, you do that early. But the President has said it is part of an entire package which includes very, very significant cost cutting. The President, I think, showed his goodwill by starting out first with the executive branch of government, specifically with the White House, and giving a cabinet secretary specific instructions about cutbacks. We are serious about tightening our belts.

Mr. KOLBE. Thank you, Mr. Chairman.

Mr. SMITH of Iowa. Mr. Mollohan.

Mr. MOLLOHAN. Mr. Secretary, I want to applaud you for demonstrating in this package that government today is going to work in partnership to promote competitiveness. Obviously this is a small package, but it definitely demonstrates that, and I think the future of the Nation depends on the United States being a leader and not a follower in developing critical technologies and commercializing research and development before, not after, our competition. I think this package as you present it for us here today reflects your commitment to doing that, and beyond the numbers, that is probably the importance of it.

PROJECTS IN PIPELINE

The key here of course is government partnership, appropriate government partnership. I would like to know, Mr. Secretary, how quickly can this process unfold. I know you want to get these projects out and get them funded quickly. Are we talking about simply funding projects that are already in the pipeline or does, as I hope, this invite people out there who have been looking for the government to become involved to submit new proposals, and will they be considered as new proposals competitive with others that are already in the pipeline and have a chance for being funded under this stimulus package?

Secretary BROWN. Well, Congressman, it does both. It gave some emphasis to pipeline projects since they are ready to go immediately—obviously speed was one of our criteria—but it does invite the opportunity for new ideas, new projects to come through. The Advanced Technology Program is one example of a bottom-up program.

The ideas come from the private sector as they should. There is a real partnership between government and private sectors, so we would encourage new ideas as well. Obviously, we want new ideas and have spend-out rates that are sufficiently fast so we can have the kind of stimulus we desire.

Mr. MOLLOHAN. But you are saying this is inviting new proposals.

Secretary BROWN. Yes.

Mr. MOLLOHAN. I am very pleased to see a new commitment to EDA instead of using EDA or supporting EDA as you pointed out in your remarks. Of course being from an area of the country that has benefitted from EDA mightily, I am appreciative of that attitude. I notice in my brief reading of the proposal, which we haven't had very long, that we are going to promote incubators, promoting technology and economic development.

Again, are we going to put an emphasis on programs in the pipeline or does this invite and will you seriously consider new proposals?

Secretary BROWN. I think once again both, Congressman. We are anxious to get new ideas and new concepts. We are anxious to be creative. Obviously, one of our criteria is to have some speedy action. We think you can have that through EDA, through our grant program. We know where the problems exist. We just wanted the wherewithal to try to tackle those problems. Working with local communities, I think we can both deal with the projects that have been proposed before and are in the pipeline. I think we can also deal with some new ideas.

We are interested in turning much of this around within a 120-day period. We think that is important. We think you can do both the pipeline projects and the new concepts.

Mr. MOLLOHAN. In that regard, have you had discussions or plans to discuss an expediting process? Because a lot of the problem with—there is no problem with EDA really conceptually, but the problem is getting an answer to a question in sooner than four weeks.

Secretary BROWN. Yes, we have. Obviously one of my challenges as Secretary will be the challenge of the leadership team we well be bringing into EDA to meet with our distinguished public servants who are already there. Clearly, we have to enhance our management capability in order to turn these activities around very quickly, but we intend to do that.

Mr. MOLLOHAN. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. SMITH of Iowa. Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman. Secretary Brown, I was delighted when you were made the Secretary of Commerce, a wonderful choice, and I can't tell you how wonderful it is as well to finally have presidential leadership that is willing to address the deficit honestly and courageously, and I plan to support the President's economic plan, of which this is a product.

But I have to tell you that my enthusiasm is somewhat dampened by the fact that my congressional district is probably going to get hurt more than any other in the country, where there is about 65,000 Federal jobs that will be taken out of this area, very substantial defense cutbacks. Our defense contractors are all aware that they are going to have to commence substantial downsizing, and about a third of my constituency is going to wind up paying more Federal income taxes as well. So in almost every area we get hit.

So when I look at this request, it is in that context, and while I can see that the things that you have requested have merit, there is no question about that, I question some of the urgency.

DEFENSE CONVERSION

Now, defense conversion is probably the one hope that we can hold out that a high-growth economy like the Washington metropolitan area, Northern Virginia in particular, can survive, can recover and, in fact, prosper, and you are going to play a critical role in that.

Now, in the 1993 Defense authorization, we provided for about $1.8 billion in Defense conversion money. My understanding is that there hasn't been any of that defense conversion money spent and I heard a media report that there was at least $500 million available, but it is probably substantially more than that.

Have you commenced discussions with the Defense Department to have some of that money transferred over to Commerce or at least work with Defense? NIST, for example, is to play a primary role. So how are you commencing the defense conversion activity?

Secretary Brown. First, Congressman Moran, I appreciate your concern about the impact of the plan on your congressional district, on your constituents. I obviously appreciate your commitment to supporting the President. We think as a well balanced plan, there is no question that the burden falls on almost all Americans. We wanted to make sure it was a fair plan so that congressional districts and individuals would believe that it was fair, and I think it is.

I also share your concern about defense conversion. It is one thing to be cutting the Defense budget. I think all of us agree it needs to be cut. It is another thing to show real concern for what happens to those workers, what happens to those businesses and industries, and what happens to the surrounding communities. That is one of the reasons why I hope you share my good feeling about beefing up EDA. That was really supposed to be its initial purpose, but as you know, there has been an effort over the last several years to eliminate it from the budget. We are reversing that trend.

Mr. Moran. We don't get any EDA money incidentally, but I am glad my colleagues are going to be getting it.

Secretary Brown. I know you have goodwill for your colleagues.

Mr. Moran. Yes.

Secretary Brown. We want EDA to be in the forefront on Defense conversion. That is one of the reasons why yesterday I signed a request to the Defense Department to transfer $80 million to the

Commerce Department for the specific use of EDA in defense conversion projects. With your help and other Members of the Committee, I would be very pleased to have more of those resources.

I think the Commerce Department is the appropriate department of government, and EDA the appropriate agency, to deal effectively with defense conversion. We would certainly in the future seek your help in making sure that those dollars are available to EDA to undertake defense conversion projects.

Mr. MORAN. Has the Defense Department shown a receptivity to working with the National Institute of Standards and Technology, for example?

Secretary BROWN. Yes, yes, they have and that goes, I am sure, to some of your Chairman's concerns about technology generally, how we move from a military technology to a civilian technology and how we commercialize those technologies so we create jobs for our people.

PUBLIC TELECOMMUNICATIONS INFRASTRUCTURE

Mr. MORAN. Let me raise one other area because I know that the time is short. You have asked for $64 million for the National Telecommunications and Information Administration to promote the development of these interactive telecommunications networks, and another very meritorious proposal, but the Congress has already invested very heavily in the public telecommunications infrastructure through the Public Television Facilities Program.

We fully funded the public television satellite, the Telstar 401, which should be operative this year, and through that network we are going to have—be able to deliver up to 80 separate interactive education channels.

Isn't it a—shouldn't it be a concern that if we don't utilize these public television resources in the Information Highways Program, we could end up duplicating and wasting some of this investment, so that I would like to know why it was decided that broadening the public telecommunications network wouldn't give you a more immediate economic impact and the kind of information superhighway that you are looking for?

How are you going to avoid duplication and not lose some of the substantial investment we have already put into public television?

Secretary BROWN. That is a legitimate concern, Congressman Moran. I think our obligation is to make sure that we do coordinate the expenditure of resources, and to make sure that we understand what is already there, and what has been done before.

It is our absolute intent to make sure that what has happened in the public sector as far as public broadcasting is incorporated fully into our national telecommunications superhighway system. Obviously, a part of what we want to do when we have this telecommunications superhighway is to reach resources.

If a young person can sit at home and plug into Nintendo, he or she ought to be able to plug into the Library of Congress, for example. I think we need to use all existing facilities. We need to make sure that money that has been spent before has been not only wisely spent but not wasted, and we commit to you that there will not be duplication in the approach that we are using.

I think the approach we are using is one that will assure coordination between the public sector and private sector, including public broadcasting.

Mr. MORAN. Thank you very much, Mr. Secretary.

We are looking forward to working with you, and thank you, Mr. Chairman.

Mr. HOYER. Mr. Skaggs.

Mr. SKAGGS. Thank you, Mr. Chairman.

Let me echo everyone else's warm greetings, Mr. Secretary. It is wonderful to see you in that job and I guess I want to lead off by hoping and expressing, tabling an invitation to you to come on out and visit your good employees at Boulder, Colorado, where we have an extraordinary fine laboratory.

Secretary BROWN. I intend to do that, Congressman Skaggs, and NTIA is also there. We have a large number of employees in Boulder, and I intend to visit within the next 60 days.

Mr. SKAGGS. Terrific.

JOB CREATION/ECONOMIC STIMULUS

I am sorry Mr. Kolbe has left, because I really wanted to engage in a bit of a dialogue with you to reinforce what I think is the fiscal responsibility inherent in the program that the President has put before us. As I read the overall numbers here, the outlays out of this $30 billion, roughly, for fiscal 1993, will be somewhere in the order of one half that amount, or $15 billion, so if we get a half million jobs this year with $30 billion in—$15 billion in outlays, or less than that, than we are really talking about much less than $60,000 per job; aren't we?

Secretary BROWN. We are.

Mr. SKAGGS. And in addition to employing those people, we are going to be having significant permanent value added to the national capital account, if you will, that is, our infrastructure, our research base and all the rest?

Secretary BROWN. There is no question about that, Congressman.

Mr. SKAGGS. So it really isn't just $60,000 a job; we end up with something at the end of this process which is of permanent value to this country, and I think it is very important for us to inform the public about that.

The second point that I wanted to make sure was on the record: the spending that you are proposing here is all within the 1990 Budget Agreement overall spending caps; is that correct?

Secretary BROWN. That is correct.

Mr. SKAGGS. So we are not doing anything that violates any of the discipline that was already agreed upon for this fiscal year?

Secretary BROWN. No, we are not, and I think what we have done has been an exercise in discipline. By taking on the deficit in a very forthright, direct and honest way, we are making specific recommendations for budget cuts rather than global statements about wanting to cut the budget generally. I think being specific is very difficult and sometimes very painful, and I think we have demonstrated in the process the kind of discipline to which you are referring.

Mr. **Skaggs**. Again, just to underscore what your opening statement pointed out: this is, in part, stimulus, but, in part, it really is leading into the administration's long-term investment strategies, given that only half of what you are proposing would really spend out this fiscal year. The rest is the long-haul agenda.

Secretary **Brown**. That is absolutely correct, Congressman.

TECHNOLOGY TRANSFER

Mr. **Skaggs**. I recently met with several hundred of your employees out in Boulder, and one of the concerns that they expressed to me, several of them, was—or the anxiety, I guess would be the best way to describe it, that they face in doing the best job they can on technology transfer, the technology transfer mission of the Department, anxiety that derives from still the—some of the Catch-22 or legal traps that exist in the system for employees that are trying to do the right thing and putting in their CRADAs and working with the ATP, but coming up against conflict of interest charges or dealing with the proprietary issues, and so forth.

I mention that only—you probably already have it flagged for you as well. I think we may need some more legislation in that area if we are going to really have an efficient system of moving this kind of money into effective partnership with the private sector. We are going to have to help some of our people feel more comfortable in carrying out that responsibility.

Secretary **Brown**. I share your concern, Congressman. We have to be able to continue to recruit the best and the brightest. I think the concerns that you have alluded to also have impacted the university community and the way that we work closely with educational institutions, I think we need to look at all that to make sure that we continue to get the best minds working in the public interests.

TELECOMMUNICATIONS HIGHWAY

Mr. **Skaggs**. Who will be the lead agency in the advanced communications highway proposal?

Secretary **Brown**. NTIA will be the lead agency.

Mr. **Skaggs**. One of the things that I think will be a particular challenge as well, I am just interested if you have any early comments, is how to fold the Department of Energy's extraordinary computer capabilities and database as well into an overall coordinated effort? And that is—if you have got an answer, you are a wizard. I just at the end wanted to see whether you are pursuing that one.

Secretary **Brown**. I am glad you flagged that for me, Congressman Skaggs. It is an area that we are going to be working on. I have already begun discussions with Secretary O'Leary at the Department of Energy. I think it is very important that we coordinate our various activities much more closely than we have in the past. That goes into the area of telecommunications; it goes to a discussion of labs. It goes to the whole technology area, generally. It is one of the places where we have got a lot of work to do.

Mr. **Skaggs**. Godspeed.

Thank you, Mr. Chairman.

Mr. **Smith**. Thank you, Mr. Secretary.

1983 JOBS BILL

First, I want to emphasize something that Mr. Mollohan brought up. We had a 1983 jobs bill, multi-billion dollar bill. Two years after it was—I think it was in 1985 or 1986, we had a GAO study. It found that the only jobs that were provided before the recession was over was in a tree planting program in SBA where they simply give contracts to small business people to plant trees on public grounds, long streets and cities. All they have to do is go to a small business nursery, buy the trees, go down to the unemployment office, pick up some people, go buy some spades and plant the trees. They got the job done.

Some of the money has not even been spent yet out of that 1983 jobs bill. I brought this up at a meeting the other day and I was amazed at the number of people like Mr. Mollohan who said, hey, we want these jobs now.

Now, I admit in 1983 the administration wasn't really trying to push and get this money out, but that is what we really want done. We want jobs now, and we don't want two years from now, especially just before the election, to have somebody bring up that we didn't give any jobs in the recession. So that is the first thing I want to mention to you is that we need help in the administration to make sure that these jobs are provided this summer and not some other time.

Secretary **Brown**. I share your concern, Mr. Chairman. As I indicated, we are committing to enhance the administrative capability of EDA, as well as other agencies, to make sure that not only the money gets out quickly, but it gets out for the right things to achieve the purpose you and I want it to achieve: job creation.

EDA/SBA OVERLAP

Mr. **Smith**. In my sorrow, the tree planting program, the only one that worked in 1983 was not included in the package. But another thing I wanted to mention to you about EDA and SBA, they could overlap. They don't need to, but they can have some of the same missions.

I mean, you can assign a mission to one or the other. We used to have a grant program, I think $750 or $800 million in 1980, and it got cut back down to where we are now, $217 million for the grant part, plus administration, so all they are doing now really is doing the up-front part so that local governments can go ahead and float their bonds and do what they need to do.

If we get into the grant business, it can be really big. You can't just put a little grant out here and a little grant there. I mean, you have got the whole United States. It is a big country. So we need to think this through about to what extent they should go into the grant business. And if you are going to go into the grant business, to what extent can you better do it under SBA, because they have got standards and they have to deal with small businesses that can't afford to do those things without grants, don't have up-front money. So I wanted to mention that to you as we plan for the 1994 budget on EDA and SBA.

TELECOMMUNICATIONS HIGHWAY

The other thing I wanted to bring up is that—about the telecommunications. As I had assumed, and am I right or wrong, that what you are dealing with here is fiber optics?

Secretary BROWN. Fiber optics is certainly one of the technologies that has gained a good deal of attention recently, but we are not indicating by this program or by our investment program that we have made any decision about what specific technology ought to be used to build this telecommunications superhighway. I think there is a lot to be said for fiber optics, but there is a lot to be said for other methods.

Mr. SMITH. We are trying to build a state-wide fiber optics highway in Iowa. We are about halfway through it. But it has been sold—I don't know much about this stuff, but it has been sold on the idea that you can actually have two-way conversations, you can have three people talking at the same time, you have higher resolutions, things we can't do with television, and that is the reason I asked the question, because I had assumed that fiber optics was probably at least a part of this.

Secretary BROWN. Oh, it absolutely is. It is more than just a part of it. It is probably the preferred way of communicating right now.

As you know, major telecommunications companies are investing billions of dollars in fiber-optic networks, so I don't mean to diminish that, but I also think we always have to be open to new technologies—television signals and whatnot—might get to the point where you can do some of the same things through the air that you can through a fiber-optic network. I want to make sure that we make it clear that we are always open to new technological developments.

Mr. SMITH. The plan in Iowa anyway is to set up central centers. I don't know if there will be one in every county or not, but within driving distance so businesses can go there and rent the facilities temporarily to use some for their business, and for the State government to do the same thing.

Well, I know that your time is very valuable and I had hoped that Mr. Rogers would be here by now, but his plane was delayed. And so thank you very much.

DEFENSE CONVERSION

Mr. CARR. Mr. Chairman, may I just ask a question——

Mr. SMITH. Yes.

Mr. CARR [continuing]. That was prompted by the discussion of my good friend from Northern Virginia, and that is about defense conversion. I just want to leave a thought with you. Take a city like Flint, Michigan, which lost 50,000 jobs in a very short period of time. Most of those jobs were not defense related. A few of them were, but the crux were the Army.

Somewhere in our thinking, in our discussions about defense conversion, we forget that a lot of Americans have lost their jobs because this society, for whatever reason, didn't want their services. And I think with all due respect to some of our colleagues from areas where there is a defense-intensive industry, they have a lot of people who are losing their jobs because this society doesn't want their services, and yet we seem to be always conjuring up programs for the defense-related job loss that is specific and is targeted, and we don't ever seem to conjure up a program that is targeted at the automotive worker or the agriculture worker. We are having conversion problems all over this changing economy, and quite frankly, I would like to see less in defense conversion and more in economic conversion for everybody.

Why should people who have been on a relatively good gravy train for a long time in the defense industry now want to continue and perpetuate their privileged status through a targeted defense conversion program. It seems to me we need economic conversion because our economy is changing. Hopefully, it will change fairly rapidly under this administration. So I just wanted to state this—that is not a question.

I hear it from a lot of my friends, like the gentleman from Northern Virginia, who are articulating the needs of their constituents, but then I feel compelled to articulate the needs of my constituents, too, which isn't defense related, but we need conversion money, too.

Thank you.

Secretary **Brown**. I know, Congressman Carr, it wasn't a question, but I would like to make a brief comment about it.

I think you are right. We have an economy in transition. We need to be concerned about the plight of all of our workers who are unemployed, we need to be concerned about training and retraining so that they are prepared for new careers.

I don't want to at all diminish our commitment to defense conversion. I think it is terribly important because it was an actual governmental decision, in this particular case, which has caused the shutdown of some plants when we decided to cut back government spending on these issues. But I think you are entirely right. It is because of government decisions in the past that have kept our economy from growing effectively so that unemployment rose, when it shouldn't have risen. People were thrown out of work and plants were closed, whether they were plants that were making things for the defense industry or for totally-civilian purposes. So I share your concern for all the workers of America.

Mr. **Carr**. Well, and it was government decisions in part that laid waste to the automotive industry. We had an administration 12 years ago that decided they didn't want unilateral disarmament in the Defense Department, didn't want unilateral disarmament in the automotive industry, but they disarmed our economy. That was a government decision.

We have all kinds of government decisions about energy efficiency, safety requirements, pollution requirements. Those are all government decisions that impact on the cost of an automobile that put, in some cases, the cost of an automobile out of reach of the average automotive worker. So those were government decisions, too. And it just seems to me that we ought to be talking generically in this country about economic conversion and programs that will apply to everyone equally between defense and nondefense.

That is all.

Mr. **Smith**. Mr. Rogers.

Mr. **Rogers**. Thank you, Mr. Chairman.

Mr. Secretary, good to see you; welcome and congratulations.

Secretary Brown. Thank you very much.

Mr. Rogers. If you can solve the delays of airplanes in airports, I will be on time next time.

Secretary Brown. I will talk to Secretary Peña about that, Congressman.

EMERGENCY DESIGNATION

Mr. Rogers. Mr. Secretary, you are requesting this funding under the emergency clause of the Budget Summit Agreement. There are certain standards by which we should be guided as we try to fit your request in that very special clause, because we are adding to the deficit, are we not?

Secretary Brown. Pardon me? The stimulus program, we would argue, over the long term does not add to the deficit; it puts people back to work.

Mr. Rogers. For the budgetary purposes, it is adding to the debt at this moment.

Secretary Brown. At this moment, it is, Congressman. I would argue that in a very short term, if the Congress in its wisdom adopts the President's entire plan, it will not be the case; we will reduce the deficit.

Mr. Rogers. I understand. What I am trying to do is to justify in my own mind these expenditures under the emergency clause of the Budget Enforcement Act of 1990.

ADVANCED TECHNOLOGY PROGRAM

Now, some of the monies are to be spent for what we are told is an advanced technology program. Frankly, I have not seen that proposal in detail. Do we have that proposal in its detail at this moment yet?

Secretary Brown. Yes. I believe you do, Congressman. I have had conversations with your Chairman about it. If you don't have satisfactory documents, we would be very pleased to present them to you.

Mr. Rogers. I would be happy to have that, by the way, and I have not seen the proposal, but maybe you could give us a very quick summary of the detailed proposal.

Secretary Brown. Certainly. We, as you know, have tried to demonstrate a commitment to technology and commercialization of that technology. It was a major issue in the presidential campaign this fall.

We are committed to more than double the budget of NIST, the National Institute of Standards and Technology, to putting considerable resources into the advanced technology program, the ATP program and the manufacturing technology centers, which we think are a great help to small business, where most of the jobs are being generated now.

I indicated before your arrival that the stimulus program is directly tied into the investment package. It does not stand by itself. It is a precursor to the kind of long-term investments that we want to make and we think that technology is an important area in which to make them.

Mr. ROGERS. So you are really increasing the existing NIST program, roughly, by 200 percent?

Secretary BROWN. Well, over the full period, it would be that. It is about 100 percent now.

Mr. ROGERS. Now, I am trying to figure how can we justify this as an emergency? It may be desirable, I am not arguing that point right now. Perhaps eventually I would be one of the supporters of it. But why is it an emergency?

Secretary BROWN. I think, Congressman, to the millions of Americans who are unemployed, to the millions of Americans who are underemployed, to the millions of Americans who aren't able to make ends meet in this continuing time of economic downturn, they are living an emergency existence and that is exactly what we are trying to speak to.

We think the fact that our economy is in the kind of shape that it has been in in several years creates not only a short-term, but a long-term emergency situation, for America. We believe that a modest stimulus package coupled with an investment package and a major deficit reduction effort deals with that emergency.

Mr. ROGERS. But the NIST program takes time to transfer technology from laboratories, to the marketplace, to the manufacturing centers. I would understand your proposal for this in the fiscal 1994 budget, but I am having some difficulty in my own mind, and I think perhaps others are too, justifying this as an emergency expenditure at this time.

Your proposal for the fiscal 1994 will be here, I think, in days. We will be taking that up with hearings to decide whether or not it is justified or not, but this is a tremendous increase overnight of an agency that is fairly small, and I just wonder if we can wisely spend that kind of money on a program I think is going to take some time to put in place.

Secretary BROWN. What it does, Congressman, is to accelerate the program eight months. We think it is a wise and prudent decision to go with programs that are already in existence and not try to start something completely new. We think that eight-month acceleration is terribly important. One of the criteria we used in making these decisions was the spend-out rate, and I know that it is surprising to some that you can do that in technology. We believe that you can.

We presented our case to the President's National Economic Council and it was successfully made. So we are confident that the spend-out rates do justify inclusion of these technology efforts in the stimulus package.

Mr. ROGERS. Now, the authorizing committee of the Congress I assume, has not passed an authorization bill increasing this program; is that correct?

Secretary BROWN. I am testifying later this week—I think this is the first of four appearances I am going to make this week before various congressional committees. This happened to be the first one, but we will be speaking to the other appropriate committees later this week.

Mr. ROGERS. But for the moment, it has not been authorized; is that right?

Secretary BROWN. That is correct, for the moment.

TELECOMMUNICATIONS HIGHWAY

Mr. ROGERS. Now, the NTIA request, $64 million, is to fund, we are told, an information superhighway, which we have also been told is a $500 million administration proposal that Congress has not yet seen. Do we have the details on the NTIA proposal yet?

Secretary BROWN. Yes, we do. We can make those available to you.

Mr. ROGERS. Have they been made available to the subcommittee yet?

Secretary BROWN. I am told by our staff that the justifications for both NTIA and NIST were delivered last night.

Mr. ROGERS. To?

Secretary BROWN. To the committee.

They should be there in the packet in front of you.

Mr. ROGERS. Now, I find this a little bit unsettling that we are getting a request here so quickly and without the opportunity for us to read the proposal, much less understand it. Tell me, if you will, please, what we are going to do with this $64 million and why that is an emergency.

Secretary BROWN. We believe, Congressman, that we had an obligation to identify those programs where money could be spent relatively rapidly.

This is by definition a stimulus program which, if to be successful, would have to be implemented over a very short period of time. We went over with a fine-tooth comb the various activities within our department where those kinds of expenditures could be justified. And one of the criteria that we considered was, how does it tie into what our long-term package is? It is just not throwing money at a problem, but is really related to a long-term strategy.

We believe that we made prudent decisions. We also believe that these expenditures are justified as a stimulus package as emergency expenditures in that they create jobs. They have impact immediately. So we are comfortable and satisfied that they meet not only the letter of the law, but the objectives that we have outlined.

Mr. ROGERS. How much of this $64 million will be spent in the current fiscal year, 1993?

Mr. BROWN. The projected outlays for 1993 total about $3 million, $31 million in 1994, and the rest of it beyond that.

Mr. ROGERS. Only $3 million of the $64 million would be outlaid in fiscal year 1993.

Secretary BROWN. We are attempting, as I tried to indicate, to accelerate all six of these expenditures. We are going to try to improve that $3 million number as much as we can.

I also indicated that it is tied into our investment, our longer-term investment activities.

EMERGENCY DESIGNATION

Mr. ROGERS. Well, again, I am puzzled about why we are classifying this spending as an emergency when we could easily do it in fiscal 1994. If you are only going to outlay $3 million before until fiscal 1994 begins, why can't we wait until fiscal 1994 to do the whole thing?

Secretary Brown. As we have in the whole package, Congressman, we have tried to take the most conservative assessments. I think too many times in the past, individuals representing the administration have come before you and given you a rosy scenario on the growth estimates for our economy, and a rosy scenario on how fast spend-out rates are going to be.

We have taken the most conservative approach. I am confident that we can increase that $3 million considerably, and I would hope that you would—that you would have enough confidence in our ability to do that to be supportive of the package.

Mr. Rogers. Well, I want to be supportive because the administration is entitled to its policies. But at the same time, we are talking about borrowed money. We are talking about increasing the deficit. We are appropriating $64 million in no-year appropriations, allowing you to spend the money whenever you want, not necessarily just in fiscal year 1993. Given our current deficit, it seems like that would not be a very wise—very wise policy on anybody's part.

Secretary Brown. Well, as you know, Congressman, we have attempted to be wise and prudent in all of our discussions, and as you also know, we share your concern about the deficit. That has been a major impetus of this plan. This is the first, as far as I could determine, real effort on the part of an administration in recent years to take a real big chunk out of our deficit. So that is part of our overall strategy, that is part of our commitment.

Mr. Rogers. Well, I assume that in a month or so you will be presenting to us your fiscal 1994 budget for the Department including NTIA?

Secretary Brown. I think it is next week, as a matter of fact.

Mr. Rogers. Okay.

Well, I don't know why we couldn't wait one week.

Secretary Brown. It is not just one week. You can wait one week to hear it, Congressman Rogers, but as you know, you can't spend it until eight or nine months from now, and I think that is the key here. The key is not the one week between the hearings, the key is when you can spend the money.

We have called it a stimulus package. That is what it is. If it is a stimulus package, we ought to be trying to get the money out there as quickly as possible and that is the reason.

Mr. Rogers. I am told that of the jobs that will be created by the emergency spending you are requesting, 30 percent of those created would be for Federal employees, employees of the bureaucracy, 90 percent of which will receive salaries higher than the average income of my constituents.

Now, are these the emergency jobs that we need to create?

Secretary Brown. Obviously, our goal is to create jobs in the private sector. That is not only the stated purpose of the plan, but that, in fact, is what the plan will do.

Let me indicate in addition, Congressman, that you know better than I do the difference between spending and obligations. Over half of the money will be obligated in fiscal year 1993, although we were not prepared to represent to you today that over half of it will actually be spent in 1993.

Mr. Rogers. Well, I realize my time is rapidly approaching an end.

TRANSMITTAL OF JUSTIFICATIONS

Let me just close by saying this. We didn't receive a package until 8:00 o'clock this morning. Attempts by staff to get accurate information have been very difficult, to say the least.

You have only given us 45 minutes to talk to you on the President's most important initiative. The subcommittee members are limited to five minutes. I too want to move expeditiously, but you can carry a good thing too far.

Mr. CARR. Mr. Chairman?

Mr. SMITH of Iowa. Yes.

Mr. CARR. I was just telling my colleague from Kentucky that he now understands the frustration many of us have had for 12 years for getting timely information. It doesn't excuse the fact that we should get timely information, but I guess as his ox gets gored—I can recall in 1981 and 1982, that the entire House was asked to pass a reconciliation package that no one, your side or our side, knew about.

In fact, there was no report, there was just chicken scratch on a variety of pages that were thrown down in front of the Congress. So we always want timely information, but—and we have been frustrated for the last 12 years ourselves.

STIMULUS VS. INVESTMENT

I might just end by saying, Mr. Secretary, that I think in terms of selling this, there is a bit of a semantic problem. I know in my Transportation Appropriations Subcommittee, there is very little that is being proposed by the administration that is short-term stimulus.

It is necessary investment, it is a long-term investment, and it is necessary to get that investment under way now. I would have wished somehow or other in the packaging of this we could have said that this was a supplemental bill with two components: One, short-term jobs stimulus, and two, a jump start on long-term investment. That doesn't get said, and it has led to some misunderstanding, I think.

Secretary BROWN. And you have described exactly what it is, Congressman Carr. And I think we do have to make some judgments on the language we use.

I would like to say to Congressman Rogers that I am very anxious to work closely and cooperatively with the entire committee, both Minority and Majority. You can be assured that you are going to receive timely information from the Commerce Department from this administration.

As you know, decisions on this package were just made a few days ago. We did the best we could to get timely information to you, but I just wanted to reinforce the fact that we are anxious to work closely with you to provide the information you need, to be responsive to your questions, and you can count on that.

Mr. ROGERS. If I may—thank you, Mr. Secretary.

I appreciate those thoughts and the comment, and let me assure you of this, that on this side of the aisle, I think we want to—we want to see people put back to work and we want to see the deficit eventually controlled. But at the same time, we want to give the new administration the benefit of the doubt, to give your program a chance to succeed, and we wish you well.

Secretary BROWN. Thank you, I appreciate that, Mr. Rogers.

Mr. SMITH of Iowa. Thank you very much, Mr. Secretary.

Secretary BROWN. Thank you very much Mr. Chairman, members of the committee. I look forward to working with you. It has been a pleasure being before you.

I should introduce my colleague, my cousin, Mark Brown sitting next to me. I neglected to introduce him earlier.

He is one of our top budget people and he has done a terrific job in helping us put this together. I am going to turn this over to my other colleagues.

Mr. SMITH of Iowa. We will now hear testimony from Mrs. Meek regarding the Small Business Administration.

TUESDAY, FEBRUARY 23, 1993.

SMALL BUSINESS ADMINISTRATION

WITNESS

HON. CARRIE P. MEEK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. SMITH of Iowa. Mrs. Meek, we are glad to have you this morning.

You wrote a letter last week to tell us about your problem, and we are very short of time. We made sure that you were scheduled so you were given the opportunity to testify.

Mrs. MEEK. Thank you so much, Mr. Chairman, It was very considerate of you to do that.

I want to thank you for the privilege of appearing here today before the subcommittee, and I ask permission to have my written statement be made a part of the record.

Mr. SMITH OF IOWA. We will do that.

HURRICANE ANDREW

Mrs. MEEK. I think all of you know and heard about Hurricane Andrew that devastated south Florida, particularly the southern part; it permanently destroyed 86,000 jobs, according to statistics from the Department of Labor.

If you were to walk with me through that district, which is now part of my district, which was formerly Representative Fascell's district, you would find complete, both human and physical, devastation.

Mr. Chairman, Bill Baggs State Recreation Area was one of the most beautiful parks in Florida. I used to take my children there every weekend. But I flew over that park with the U.S. Corps of Engineers, and I was shocked to see what I saw there. When the helicopter landed and I had a chance to walk through Bill Baggs State Park, I am going to tell you what I saw.

I didn't see anything. It was completely devastated, all the trees were gone. It looked as if a bomb had been dropped right in the middle of that park, and the dead trees now are run through "chippers". They are left there as wood chips, and are used to enrich the soil.

The State Department of Parks does not have the money to revegetate the area. The plan is to revegetate it with the native species, Mr. Chairman—and I want to run through this fast—instead of the species that was already there, because they feel these native species will certainly be more durable, last longer and perhaps be of much greater social significance than the other vegetation.

Such things as the black mangrove, the cabbage palm, poisonwood, and numerous others. The state has a detailed cost estimate to try to revegetate 300 of the 400 acres of this park. The rest is a public use area. That cost is estimated at $4 million.

Public Law 101-515, the Small Business Administration's Tree Planting Program Grants, it fits this situation just like a glove. It is customized for this situation.

Let me tell you why. Number one, it gives small businesses a chance to do this replanting of this very much needed revegetation, and it is very much suited for the small and minority businesses that are in that area.

Mr. Chairman, when the time is more appropriate, I wish to discuss another item in my district which I am sort of imposing on you in addition to the new vegetation of this park and the $4 million I have asked you for.

I am coming with my hat in my hand, Mr. Chairman. We need this park revegetated. It is a very strong human resource there. It is one of the recourses from the inner city and the urban area that is there, and it is a very useful thing.

I also hope you will allow me the opportunity to speak just briefly a little bit later on the North-South Park Center which Congressman Fascell worked so hard for, and now it is in jeopardy and I wish you would give me a chance to look at that. It was strongly supported by Fascell, and if you give me that opportunity, I will be in your debt for the rest of my tenure here in the Congress.

TREE PLANTING PROGRAM

Mr. SMITH of Iowa. We need as many people in our debt as we can get. [Laughter.] I do appreciate your statement. As you said, on the tree planting program, it does fit like a glove.

These are public lands that benefit under the program. They go out and contract with small businessmen. The State gets an allocation to start with. The governor can put the entire State's allocation in this plan, if he wants to. And they go out and the trees are planted.

I mean, it is just a matter of whether they be planted in the spring or the fall, and it is done, and it fits like a glove. I am sorry that it is not included in the stimulus package, but you have my word on this—they say we are not going to make any changes in the House; they may make some in the Senate, but if any changes are made in these allocations anywhere along the line, we are going to keep you in mind.

Mrs. MEEK. Thank you so much, Mr. Charirman, I appreciate it.

Mr. SMITH of Iowa. Thank you.

[The prepared statement of Mrs. Meek follows:]

CARRIE P MEEK
17TH DISTRICT FLORIDA

COMMITTEE ON
APPROPRIATIONS

SUBCOMMITTEES
ENERGY AND WATER
DEVELOPMENT
MILITARY CONSTRUCTION

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Testimony of
Hon. Carrie P. Meek
Before the
Subcommittee on Commerce, Justice, State and Judiciary
Committee on Appropriations
February 23, 1993

Mr. Chairman. I want to thank you for the privilege of testifying today before this Subcommittee. I specifically wish to advocate an appropriation for the Small Business Administration Tree Planting Matching Grants as authorized by Public Law 101-515. Mr. Chairman, I understand that you are considered the principal author of this bill.

Last year Hurricane Andrew devastated southern Dade County. According to Labor Statistics, Andrew permanently destroyed 86,000 jobs. Most of these people live in the District I am privileged to represent. The damage was so massive that the recovery is still ongoing.

Bill Baggs Cape Florida State Recreation Area was one of the most beautiful parks in Florida. When my children were growing up, I took them there every weekend. It was a wonderful outing for them and for me. Some of my happiest memories are from those visits. It is accessible to the people of Miami and Dade County. It attracts so many visitors that it was necessary to close the gates on many weekends to keep from being overwhelmed. It was an oasis in the city.

During the District work period, I met with the Corps of Engineers in Dade County. One of the issues we were discussing was the recovery efforts from Andrew. During the morning we visited by helicopter many of the areas which were damaged. As we flew over Bill Baggs, it almost broke my heart. All the trees were blown down. It looked as if a bomb went off in the center of the park. We landed and talked with the personnel in charge of removing the trees and drove around the park. If anything, it was worse than it looked from the air. Barely anything was standing.

The dead trees are being run through "chippers". The resulting mulch is being spread on the ground to enrich the soil to aid in the rebuilding of the park. The State Parks Department, working with the Corps, has come up with a plan for recovery. The park was covered primarily with Australian Pine which is very invasive and crowds out native species. Biologists have surveyed the park's 406 acres and marked all native species which can be saved. All other trees are being removed. The effort is by machine except in two areas. In those two areas, there are endangered species, and the removal, therefore, is being done manually.

Although funds are available to clean up the park, funding the revegetation is the problem. The State in consultation with the Corps and other appropriate agencies has designed an environmentally sensitive plan for revegetation of the park. The plan is to revegetate it with native species such as cabbage palm, seagrape, coco plum, black mangrove, white mangrove and poisonwood. I believe this plan will result in an enhanced facility which will be an outdoor school room for those who visit the park.

The State has developed a detailed cost estimate. The total acreage is 406. 300 acres require revegetation--the rest is a public use area. Dade county requires a minimum tree canopy of 500 square feet per tree. 150 acres will be 100 % coverage/acre use areas and the other 150 acres will be 50% coverage/acre of upland. This will require $4,000,000 under the SBA program.

In addition to enhancing the environment and aiding the recovery from Andrew, it will provide short and long term jobs. The revegetation will be labor intensive and is especially suited for the participation of small businesses. The resulting park will provide long term jobs not only at the park itself but as enhancement to our tourism industry in Dade County. The work can begin within 30 to 90 days after enactment. This request fits that authorization contained in Public Law 101-515 like a glove. Additionally, it fits the President's criteria for economic stimulation like a glove.

I hope that you will be able to favorably consider this request. Mr. Chairman, thank you for the privilege of appearing here today.

Tuesday, February 23, 1993.

U.S. DEPARTMENT OF COMMERCE

National Institute of Standards and Technology

National Telecommunications and information Administration

National Oceanic and Atmospheric Administration

WITNESSES

JOHN LYONS, ACTING UNDER SECRETARY OF COMMERCE FOR TECHNOLOGY

TOM SUGRUE, ACTING ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION

DIANA JOSEPHSON, DEPUTY UNDER SECRETARY FOR OCEANS AND ATMOSPHERE

Mr. Smith of Iowa.

Next we will hear from Dr. John Lyons, Acting Under Secretary for Technology at the Department of Commerce, on the supplemental request for the National Institute of Standards and Technology. The request for NIST totals $117,403,000, including $14,088,000 for the Scientific and Technical Research and Services Appropriation Account and $103,315,000 for the Industrial Technology Services appropriation account. We will insert the justification for this request into the record at this point; then you may proceed with a brief summary of your remarks and then we will have some questions for you.

[The justifications follow:]

Exhibit 1

Department of Commerce
National Institute of Standards and Technology

Supplemental Budget Request
Fiscal Year 1993

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Summary Statement
Department of Commerce
National Institute of Standards and Technology

Supplemental Budget Request
Fiscal Year 1993

Scientific and Technical Research and Services

	Appropriation
Presently available	$192,940,000
Proposed supplemental	14,088,000
Revised estimate	207,028,000

	FTE	Pos
Presently available	1,818	1,696
Proposed supplemental	75	151
Revised estimate	1,893	1,847

STATEMENT OF PURPOSE AND NEED

This supplemental request will enable NIST to accelerate the commercialization of new information technologies by expanding its research and development program in areas related to high-performance computing and high-speed networking for manufacturing applications. The proposed program responds to the Information Infrastructure and Technology Act introduced by then Senator Gore.

Industrial Technology Services

	Appropriation
Presently available	$86,067,000
Proposed supplemental	103,315,000
Revised estimate	189,382,000

	FTE	Pos
Presently available	99	91
Proposed supplemental	25	51
Revised estimate	124	142

STATEMENT OF PURPOSE AND NEED

This supplemental request for the Advanced Technology Program will enable NIST to aggressively expand the support of high-risk, generic technology development by providing funds to cost-share with industry approximately 80 additional cooperative projects within six months after funds are appropriated. The Administration is committed to improving the competitiveness of U.S. industry, and this is the first step to broadening the scope and depth of technology areas and industrial sectors participating in the ATP.

DEPARTMENT OF COMMERCE

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Scientific and Technical Research and Services

For an additional amount for "Scientific and technical research and services," $14,088,000, to remain available until expended, of which not to exceed $3,613,000 may be transferred to the "Working Capital Fund".

Exhibit 5

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Page No.	Comparison by activity/subactivity:	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
		FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
	Measurement and engineering research and standards									
	Electronics and electrical engineering	278	260	$26,175	...	...	...	278	260	$26,175
	Manufacturing engineering	122	114	10,088	...	...	...	122	114	10,088
	Chemical science and technology	208	194	19,569	...	...	...	208	194	19,569
	Physics	242	225	26,482	...	...	...	242	225	26,482
	Materials science and engineering	312	290	39,935	...	...	...	312	290	39,935
	Building and fire research	120	113	12,091	...	...	...	120	113	12,091
NIST– 4	Computer systems	150	140	12,463	75	151	10,475	225	291	22,938
	Applied mathematics and scientific computing	76	70	6,829	...	...	...	76	70	6,829
	Technology assistance	93	85	8,920	...	...	...	93	85	8,920
	Research support activities	217	205	41,230	...	...	...	217	205	41,230
	Direct obligations	1,818	1,696	203,782	75	151	10,475	1,893	1,847	214,257
	Adjustments to obligations:									
	Unobligated balance, start of year			(9,718)			...			(9,718)
	Financing from transfers:									
	Transfers to other accounts			876			3,613			4,489
	Transfers from other accounts			(2,000)			...			(2,000)
	Appropriation			192,940			14,088			207,028

Exhibit 10

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Computer systems

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
Line Item	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Computer systems	150	140	$12,463	75	151	$10,475	225	291	$22,938

Exhibit 11

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Computer systems

Line Item	1993 Presently Available		1993 Proposed Supplemental		1993 Revised Estimate	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Computer systems						
WCF transfers	0	0	...	$3,613	0	$3,613
Reimbursable FTE/Obligations	185	$18,744	...	...	185	18,744
Total	185	18,744	0	3,613	185	22,357

Exhibit 12

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
COMPUTER SYSTEMS

Goal Statement

The goals of this subactivity are to promote industrial technology and innovation, reduce barriers to commercialization, and facilitate industry and government efforts to improve quality. The Computer Systems subactivity achieves these goals by providing leadership and research in the development of voluntary national and international standards and conformance tests for computers and telecommunication systems, by assisting in the writing of specifications and leading standards development activities. The Computer Systems Laboratory supports "open" computer system architectures that integrate different standards and accelerate the adoption of new information technologies. Providing technical guidance to private industry and the Federal government, participating in standards development, fostering implementation agreements among vendors, and developing conformance tests are some of the activities contributing to these goals.

Base Program

Through this subactivity, carried out in the Computer Systems Laboratory (CSL), NIST conducts research and provides technical support to Federal agencies and to industry in the effective use of computers and related telecommunication systems. NIST efforts include: (1) development and issuance of Federal Information Processing Standards (FIPS) and Guidelines necessary to ensure the efficient and effective acquisition, management, security, and use of information technology by the Federal Government and to preserve the competitive options of American industry in the development of computer and related telecommunication products and services; (2) promotion of the use of FIPS and Guidelines in order to reduce waste, error, and unnecessary duplication in the application of computer systems in the Federal Government; and (3) development of critically needed methods to protect information resources in distributed computer and telecommunications systems.

This subactivity affects both the industry and the users of computers and related telecommunication systems. The U.S. computer and related telecommunications industries have sales of at least $100 billion per year and maintain a positive trade balance. International competition is becoming increasingly intense. Innovations in computer hardware, software, and digital communications will challenge managers to apply new technology for productivity increases throughout the American economy in the coming years and will have pervasive effects on industry structure and performance as well as on the quality of government services. Since computers will be distributed throughout the workplace and used generally throughout government and the economy, computer integration, performance assurance, and security will become even more important. The merging of computer and telecommunications technology heightens the importance of an integrated approach to standards development for computer and related telecommunications systems. As the technology changes, it will be essential to find ways to enable organizations to preserve their investments in applications systems, to upgrade existing systems, and to improve the portability of staff skills, data, and software.

Planned accomplishments in FY 1993 include the following:

- Develop standard techniques for user and document authentication (including signatures) in distributed systems for use in the Government, and as the basis for national and international standards. This will enable Government and industry to make secure electronic transfers such as purchase orders, payments, and fund transfers.
- Develop the basis for open distributed systems security criteria and support the proposal as an international standard. This provides safeguarding of Federal information assets.
- Develop FIPS and associated guidance for Federal agencies for a major enhancement of the Structured Query Language (SQL) database language. This provides portability of application software between different database products.
- Provide a commercial platform for the deployment of Integrated Services Digital Network (ISDN) in North America through the utilization of a NIST prototype and specific public domain agreements.
- Develop Government Open Systems Interconnection Profile (GOSIP) Federal Information Processing Standards (FIPS) Version 3.0 and Portable Operating System Interface for Computer Environments (POSIX) FIPS Version 2 and update the related testing programs to promote the use of open systems in Government. An open system interconnects systems from different vendors and provides portability of application software and skills required to design and implement them.

Exhibit 13

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
SUPPLEMENTAL FOR FY 1993
(Dollar amounts in thousands)

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Computer systems	150	140	$12,463	75	151	$10,475	225	291	$22,938
Transfer to WCF	...	...	...	...	...	3,613	...	...	3,613

HPCC/Information Infrastructure: Networking and Computer Applications (+75 FTE's, BA +$14,088,000, Direct obligations +$10,475,000, Transfer to WCF +$3,613,000) - This program is part of the multi-agency High Performance Computing and Communications program as described in the High Performance Computing Act of 1991 and the Information Infrastructure and Technology Act of 1992 introduced by former Senator Gore. The latter is currently incorporated in S.4, the National Competitiveness Act of 1993.

One objective of this NIST program is to accelerate the development and deployment of high performance computing and networking technologies required for the national information infrastructure that will be the broad foundation for many new applications in education, libraries, manufacturing, and health care. A second objective is to apply and test these technologies in a manufacturing environment. Building on its leadership in research, standards development, measurement technology and technology transfer in both information technology and manufacturing, NIST will establish a test facility to enable the accelerated application of information technologies to manufacturing to accomplish this objective. Success of this deployment will be measured by the commercialization and market penetration of such technologies.

This supplemental request will accelerate the commercialization of new information technologies by enabling the NIST to expand its research and development program in areas related to high-performance computing and high-speed networking for manufacturing applications. It will expedite standards development for electronic networking, including those necessary for deployment of the National Research and Education Network (NREN); product data exchange; flexible computer-integrated manufacturing; multimedia and hypermedia systems technology; and the accuracy needed for advanced industrial quality control instruments. Essential related areas include advanced algorithms and performance measures for high performance computing systems; and planning and deployment of open systems and integrated services digital network (ISDN) protocols.

An Advanced Manufacturing Systems and Networking Testbed (AMSANT) will be established at NIST to enable research and development into advanced manufacturing computer systems and networking. In addition the AMSANT will: (1) test high performance computer and networking hardware and software to determine their suitability for use within the U.S. manufacturing community; (2) assist industry in the development and implementation of voluntary consensus standards; (3) serve as a demonstration site that industrial technology suppliers and users can use to identify and overcome technical and other barriers leading to the successful and cost-effective implementation of these systems. Specific applications may include enterprise integration, process integration for advanced materials manufacture, integrated product/process design, process modeling, and simulation and virtual manufacturing.

Research and testing will be conducted at the NIST AMSANT as well as at testbed(s) selected under the NIST Advanced Technology Program. These activities will build upon existing laboratory capabilities at NIST to test equipment, software and systems, including development and implementation of strategies to perform the needed mechanical, electronic, electro-optical and optical testing on appropriate network and manufacturing equipment. Techniques to verify the performance and interoperability of software will also be developed, along with system tests to assure functionality, speed, and reliability. NIST will work with U.S. industry to develop the necessary hardware, software and systems integration methods required to successfully implement advanced manufacturing systems utilizing high-performance computing and networking technologies within the United States.

Collectively, the results of this program will assist U.S. industry in the application of information technologies by establishing performance based test techniques to encourage rapid improvement of the technology, to permit interoperability of hardware and software from various vendors, and to stimulate the export of U.S. products.

Exhibit 14

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
SUPPLEMENTAL PERSONNEL DETAIL

Activity: Measurement and engineering research and standards
Subactivity: Computer systems
Program Change: HPCC/Information infrastructure

Title	Grade	Number	Annual Salary	Total Salaries
Computer scientist	15	11	$66,609	$732,699
Electrical engineer	15	6	66,609	399,654
Electronic engineer	15	1	66,609	66,609
Mathematician	15	4	66,609	266,436
Mechanical engineer	15	4	66,609	266,436
Physicist	15	3	66,609	199,827
Computer scientist	14	19	56,627	1,075,913
Electrical engineer	14	1	56,627	56,627
Mathematician	14	4	56,627	226,508
Mechanical engineer	14	6	56,627	339,762
Physicist	14	4	56,627	226,508
Computer scientist	13	14	47,920	670,880
Computer specialist	13	10	47,920	479,200
Electrical engineer	13	3	47,920	143,760
Mechanical engineer	13	4	47,920	191,680
Physicist	13	2	47,920	95,840
Computer scientist	12	7	40,298	282,086
Computer specialist	12	2	40,298	80,596

Title		Grade	Number	Annual Salary	Total Salaries
Mechanical engineer		12	2	41,641	83,282
Physicist		12	2	40,298	80,596
Technician		12	4	40,298	161,192
Electronics technician		11	1	33,623	33,623
Technician		11	2	33,623	67,246
Administrative/technical support		9	17	27,789	472,413
Computer technician		9	3	27,789	83,367
Mechanical engineer		9	2	36,123	72,246
Technician		9	3	27,789	83,367
Mechanical engineer		7	2	29,530	59,060
Secretary		5	8	20,173	161,384
Subtotal			151		7,158,797
Less lapse	50 %		(76)		(3,579,399)
Total full-time permanent (FTE)			75		3,579,398

Personnel Data	
Full-Time Equivalent Employment:	
Full-time permanent	75
Authorized Positions:	
Full-time permanent	151

Exhibit 15

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
SUPPLEMENTAL DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity: Measurement and engineering research and standards
Subactivity: Computer systems
Program Change: HPCC/Information infrastructure

Object Class		1993 Increase
11	Personnel compensation	
11.1	Full–time permanent	$3,579
11.9	Total personnel compensation	3,579
12.1	Civilian personnel benefits	1,038
21	Travel and transportation of persons	379
22	Transportation of things	172
23.3	Communications, utilities and miscellaneous charges	906
24	Printing and reproduction	70
25.1	Consulting services	0
25.2	Other services	3,447
26	Supplies and materials	506
31	Equipment	378
32	Land and structures	0
41	Grants, subsidies and contributions	0
99	Direct obligations	10,475
	Transfer to NIST Working Capital Fund	3,613
	Total increase requested	14,088

Exhibit 16

National Institute of Standards and Technology
Scientific and Technical Research and Services
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11	Personnel compensation			
11.1	Full–time permanent	$87,162	$3,579	$90,741
11.3	Other than full–time permanent	6,103	...	6,103
11.5	Other personnel compensation	2,180	...	2,180
11.9	Total personnel compensation	95,445	3,579	99,024
12.1	Civilian personnel benefits	18,588	1,038	19,626
13	Benefits for former personnel	94	...	94
21	Travel and transportation of persons	3,084	379	3,463
22	Transportation of things	355	172	527
23.2	Rental payments to others	526	...	526
23.3	Communications, utilities, and miscellaneous charges	8,977	906	9,883
24	Printing and reproduction	343	70	413
25.1	Consulting services	586	...	586
25.2	Other services	31,923	3,447	35,370
26	Supplies and materials	16,000	506	16,506
31	Equipment	21,262	378	21,640
32	Land and structures	110	...	110
41	Grants, subsidies, and contributions	6,489	...	6,489
42	Insurance claims and indemnities	...	...	...
99	Total Obligations	203,782	10,475	214,257
	Transfer to NIST Working Capital Fund	876	3,613	4,489
	Total Requirements	204,658	14,088	218,746

Personnel Data	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Full-time equivalent employment:			
Full-time permanent	1,648	75	1,723
Other than full-time permanent	170	...	170
Total	1,818	75	1,893
Authorized Positions:			
Full-time permanent	1,696	151	1,847
Other than full-time permanent	222	...	222
Total	1,918	151	2,069

Exhibit 17

Department of Commerce
National Institute of Standards and Technology
Scientific and Technical Research and Services
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11	Personnel compensation			
11.1	Full-time permanent			
	Executive level	$111	...	$111
	Senior executive service	5,105	...	5,105
	General schedule	76,279	$3,579	79,858
	Wage board	4,638	...	4,638
	Scientific & professional (P.L. 80-313)	1,029	...	1,029
	Subtotal	87,162	3,579	90,741
11.3	Other than full-time permanent			
	General schedule	5,685	...	5,685
	Wage board	290	...	290
	Scientific & professional (P.L. 80-313)	93	...	93
	Experts & consultants	33	...	33
	Student	2	...	2
	Subtotal	6,103	...	6,103
11.5	Other personnel compensation			
	Overtime	448	...	448
	SES performance awards	201	...	201
	Cash awards	1,433	...	1,433
	Other	98	...	98
	Subtotal	2,180	...	2,180
11.9	Total personnel compensation	95,445	3,579	99,024

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
12.1	Civilian personnel benefits			
	Civil service retirement	3,753	...	3,753
	Federal employees' retirement	4,794	465	5,259
	Thrift savings plan	1,275	107	1,382
	Federal Insurance Contribution Act	3,685	274	3,959
	Health insurance	3,986	176	4,162
	Life insurance	167	16	183
	Employees' Compensation Fund	664	...	664
	Other	264	...	264
	Subtotal	18,588	1,038	19,626
13	Benefits for former personnel			
	Severance pay	56	...	56
	Unemployment compensation	38	...	38
	Subtotal	94	...	94
21	Travel and transportation of persons			
	Common carrier	1,254	154	1,408
	Mileage	78	9	87
	Per diem/actual	1,316	160	1,476
	Other	436	56	492
	Subtotal	3,084	379	3,463
22	Transportation of things	355	172	527
23.2	Rental payments to others	526	...	526

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
23.3	Communications, utilities, and miscellaneous charges			
	Rental of ADP equipment	131	2	133
	Rental of office copying equipment	289	25	314
	Other equipment rental	362	28	390
	Federal telecommunications system	298	32	330
	Other telecommunications services	1,095	166	1,261
	Postal Service by USPS	560	58	618
	Utilities:			
	Electric	4,379	406	4,785
	Gas	1,130	118	1,248
	Water/Sewer	733	71	804
	Subtotal	8,977	906	9,883
24	Printing and reproduction			
	Publications	184	53	237
	Other	159	17	176
	Subtotal	343	70	413
25.1	Consulting services	586	...	586
25.2	Other services			
	Training:			
	Office of Personnel Management	12	...	12
	Other	803	40	843
	Maintenance of equipment	5,121	87	5,208
	ADP Services	573	74	647
	Payments to GA, WCF	1,343	...	1,343
	Other Federal agencies:			
	Dept. of Commerce	1,409	2,358	3,767
	Other	1,898	173	2,071
	Other non-government contracts	20,764	715	21,479
	Subtotal	31,923	3,447	35,370

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
26	Supplies and materials			
	Office & laboratory supplies	9,202	506	9,708
	Scientific publications & journals	76	...	76
	Fuel oil	110	...	110
	Reactor Fuel	6,612	...	6,612
	Subtotal	16,000	506	16,506
31	Equipment			
	Office machines and other equipment	3,788	281	4,069
	ADP equipment	5,555	97	5,652
	Equipment depreciation	11,919	...	11,919
	Subtotal	21,262	378	21,640
32	Land and structures	110	...	110
41	Grants, subsidies, and contributions	6,489	...	6,489
42	Insurance claims and indemnities	...	...	...
99	Total Obligations	203,782	10,475	214,257
	Transfer to NIST Working Capital Fund	876	3,613	4,489
	Total Requirements	204,658	14,088	218,746

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

Program and financing (in thousands of dollars)

Identification code 13–0500–1–1–376		Presently Available	Proposed Supplemental	Revised Estimate
	Program by activities:			
	Direct program:			
	Measurement and engineering research and standards:			
00.01	Electronics and electrical engineering	26,175	...	26,175
00.02	Manufacturing engineering	10,088	...	10,088
00.03	Chemical science and technology	19,569	...	19,569
00.04	Physics	26,482	...	26,482
00.05	Materials science and engineering	39,935	...	39,935
00.06	Building and fire research	12,091	...	12,091
00.07	Computer systems	12,463	10,475	22,938
00.08	Applied mathematics and scientific computing	6,829	...	6,829
00.09	Technology assistance	8,920	...	8,920
00.10	Research support activities	25,860	...	25,860
00.91	Total operating expenses	188,412	10,475	198,887
01.01	Capital investment: National Institute of Standards and Technology improvements and modifications	15,370	...	15,370
10.00	Total obligations	203,782	10,475	214,257
	Financing:			
21.40	Unobligated balance available, start of year	(9,718)	...	(9,718)
24.40	Unobligated balance available, end of year			
39.00	**Budget authority**	194,064	10,475	204,539
	Budget authority:			
40.00	Appropriation	192,940	14,088	207,028
41.00	Transferred to other accounts	(876)	(3,613)	(4,489)
42.00	Transferred from other accounts	2,000	...	2,000
43.00	**Appropriation (total)**	194,064	10,475	204,539
	Relation of obligations to outlays:			
71.00	Total obligations	203,782	10,475	214,257
72.40	Obligated balance, start of year	44,790	...	44,790
74.40	Obligated balance, end of year	(44,832)	(982)	(45,814)
90.00	Outlays	203,740	9,493	213,233
	(Memo cost: 21.5)	(Memo cost: 5)	(Memo cost: 5)	(Memo cost: 4.9)

NIST-19

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

Object Classification (in thousands of dollars)

Identification code 13–0500–1–1–376		Presently Available	Proposed Supplemental	Revised Estimate
	Personnel compensation:			
11.1	Full–time permanent	87,162	3,579	90,741
11.3	Other than full–time permanent	6,103	...	6,103
11.5	Other personnel compensation	2,180	...	2,180
11.9	Total personnel compensation	95,445	3,579	99,024
12.1	Civilian personnel benefits	18,588	1,038	19,626
13.0	Benefits for former personnel	94	...	94
21.0	Travel and transportation of persons	3,084	379	3,463
22.0	Transportation of things	355	172	527
23.2	Rental payments to others	526	...	526
23.3	Communications, utilities, and miscellaneous charges	8,977	906	9,883
24.0	Printing and reproduction	343	70	413
25.1	Consulting services	586	...	586
25.2	Other services	31,923	3,447	35,370
26.0	Supplies and materials	16,000	506	16,506
31.0	Equipment	21,262	378	21,640
32.0	Land and structures	110	...	110
41.0	Grants, subsidies, and contributions	6,489	...	6,489
99.9	Total obligations	203,782	10,475	214,257
(Mono cast: 21.5)		(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.8)

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
SCIENTIFIC AND TECHNICAL RESEARCH AND SERVICES

Personnel Summary

Identification code 13–0500–1–1–376	Presently Available	Proposed Supplemental	Revised Estimate
Total compensable workyears:			
Full–time equivalent employment.............	1,818	75	1,893
Full–time equivalent of overtime and holiday hours............................	10	...	10
(Mono cnt: 21.5)	(Mono cnt: 8)	(Mono cnt: 8)	(Mono cnt: 4.8)

DEPARTMENT OF COMMERCE

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Industrial Technology Services

For an additional amount for "Industrial technology services," $103,315,000, to remain available until expended, of which not to exceed $1,400,000 may be transferred to the "Working Capital Fund".

Exhibit 5

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

Page No.	Comparison by activity/subactivity:	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
		FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
	Extramural programs:									
NIST−24	Technology development and transfer mechanisms	99	91	$131,198	25	51	$53,100	124	142	$184,298
	Direct obligations	99	91	131,198	25	51	53,100	124	142	184,298
	Adjustments to obligations:									
	Unobligated balance, start of year	...	...	(45,131)	...	...	...	...	...	(45,131)
	Unobligated balance, end of year	...	...	...	...	...	48,815	...	...	$48,815
	Financing from transfers:									
	Transfers to other accounts	...	...	...	...	...	1,400	...	...	1,400
	Appropriation	99	91	86,067	25	51	103,315	124	142	189,382

Exhibit 10

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
PROGRAM AND PERFORMANCE: DIRECT OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subactivity: Technology development and transfer mechanisms

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
Line Item	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Advanced technology program	85	78	$110,238	25	51	$53,100	110	129	$163,338
Manufacturing technology centers	9	8	18,667	...	...	...	9	8	18,667
State extension program	5	5	2,293	...	...	...	5	5	2,293
Total	99	91	131,198	25	51	53,100	124	142	184,298

Exhibit 11

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
PROGRAM AND PERFORMANCE: REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Activity: Extramural programs
Subactivity: Technology development and transfer mechanisms

Line Item	1993 Presently Available		1993 Proposed Supplemental		1993 Revised Estimate	
	Personnel	Amount	Personnel	Amount	Personnel	Amount
Advanced technology program						
WCF transfers	...	...	...	$1,400	...	$1,400
Reimbursable FTE/Obligations	...	$924	...	...	...	924
Total	...	924	...	1,400	...	2,324
Manufacturing technology centers						
WCF transfers	...	...	...	...	...	...
Reimbursable FTE/Obligations	...	361	...	...	...	361
Total	...	361	...	...	...	361
Total						
WCF transfers	...	...	...	1,400	...	1,400
Reimbursable FTE/Obligations	...	1,285	...	...	...	1,285
Total	...	1,285	...	1,400	...	2,685

Exhibit 12

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
JUSTIFICATION OF PROGRAM AND PERFORMANCE
TECHNOLOGY DEVELOPMENT AND TRANSFER MECHANISMS

Goal Statement

The goal of this subactivity is to strengthen America's industrial competitiveness by promoting industrial innovation and reducing barriers to commercialization to improve quality, modernize manufacturing processes, ensure product reliability, and increase manufacturability, functionality and cost effectiveness.

Base Program

The programs under this subactivity provide shared-risk financial assistance combined with opportunities for cooperating with NIST to develop or transfer technologies that can improve U.S. manufacturing capabilities at all stages of technological sophistication. Each program addresses different needs by taking different approaches. The Advanced Technology Program (ATP) is the focus of a national effort to help accelerate the commercialization of pre-competitive generic technologies. The Manufacturing Excellence Partnership (MEP) program is an effort to advance the state of existing manufacturing by transferring government developed and advanced commercial technologies by working directly with firms in a region on their technology-related problems. The ATP provides incentives for companies to form consortia in their development efforts. The MEP program focuses on assisting medium and small manufacturers directly.

Advanced Technology Program (ATP) - The ATP is a cost-shared, industry-led program providing financing to U.S. businesses and joint R&D ventures to assist them in improving their competitive position by accelerating the development of pre-competitive generic technologies. To be funded, projects must involve high-risk technologies that have substantial potential benefits to the United States. In a broad sense, the program's goal is to help bridge the gap between more fundamental R&D (where the U.S. excels) and commercially applied R&D, where many believe the U.S. lags. The program is open to all areas of advanced technology. Sixty projects (including 18 joint ventures) are now being funded. These projects commit approximately $190 million in federal funds and $210 million in private sector funds over their lifetime. An additional 20 or more projects will be selected for awards before the end of fiscal year 1993.

Technology areas include:

- Machine Tools
- Image Recognition and Processing
- Semiconductor Processing
- Superconductors
- Flat Panel Display Manufacturing
- Lasers and Electro-optics
- High Performance Computers
- Optical and Magnetic Data Storage
- Ceramics, Composites, and Polymers
- Automated Manufacturing and Robotics
- Motor Vehicle Assembly
- Plastic Recycling
- Genetic and Tissue Engineering
- Energy Conservation and Distribution
- X-Ray Lithography and Optics
- Printed Wiring Boards
- Optical Communication
- Illumination

The target population includes technologically advanced U.S. businesses able to carry out the development of new and emerging technologies with the potential to affect the economy significantly. Universities, federal laboratories (other than NIST), and independent research institutes may receive funding through business or joint venture recipients. Joint ventures are encouraged to include small businesses.

At this point the ATP is an important, but experimental program, intended to accelerate the pace of commercial technology development. The potential underlying benefit of the program will be to stimulate long-term industrial investment, on a shared risk basis, in developing technology of potential benefit to many U.S. industries.

FY 1993 operating objectives include the following:

- provide $67.9 million for continuing multi-year grants. Of this amount, an assessment of 1.5 percent of the base will be directed to the Department of Commerce Small Business Innovation Research program in compliance with the Small Business Innovation Development Act of 1982, Public Law 97-219 as amended.

Exhibit 13

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
SUPPLEMENTAL FOR FY 1993
(Dollar amounts in thousands)

	1993			1993			1993		
	Presently Available			Proposed Supplemental			Revised Estimate		
	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Advanced technology program (ATP)	99	91	$131,198	25	51	$53,100	124	142	$184,298
Transfer to WCF	...	...	...	...	...	1,400	...	...	1,400

Advanced technology program (ATP) supplemental (+25 FTE's, BA + $103,315,000, Direct Obligations +$53,100,000, Transfer to WCF +$1,400,000) - This supplemental request will enable NIST to aggressively expand the support of high-risk generic technology development by providing funds to cost-share with industry approximately 80 additional cooperative technology development projects within six months after funds are appropriated.

The Administration is committed to improving the competitiveness of U.S. industry. While the United States is a world leader in basic research and innovation, our Nation's ability to rapidly commercialize new technology has been increasingly questioned. In the three years of its existence, the Advanced Technology Program (ATP) at the National Institute of Standards and Technology (NIST) has established itself as a key national program to promote United States economic growth and enhance competitiveness by accelerating the development of critically important technologies. A report by Solomon Associates on the results of the first 11 projects funded by the ATP provides early evidence that the ATP is an effective mechanism for enhancing the commercialization of technologies.

In its first three competitions (over a period of about 2.5 years), the ATP had funding sufficient to support only 60 projects (including 18 joint ventures) out of 660 proposals submitted -- a very low percentage compared to many other federal programs that fund extramural research. The initial 60 projects represent nearly $400 million of R&D over the next 5 years approximately $190 million of which has been committed by the ATP and $210 million by the companies. While the 60 projects represent a broad spectrum of important technologies, there has not been sufficient funding to cover any technology area in depth.

This supplemental request is the first phase of an aggressive plan to broaden the scope and depth of technology areas and industrial sectors participating in the ATP. Approval of the supplemental will enable NIST to initiate approximately 80 additional projects before the end of FY 1993 for a total of approximately 100 projects started during the year.

If the FY 1993 supplemental is approved, ATP will initiate these actions to increase the number of new projected starts during the six months after the appropriation is approved.

First, the fourth ATP competition has been announced and proposals will be submitted on February 24, 1992. NIST will use a portion of the supplemental funds to increase the number of awards made as a result of the fourth competition. Assuming that 220 proposals are submitted (the average number submitted in the three previous competitions), it is likely that 60 - 80 proposals would be of sufficiently high quality to merit funding. Without the supplemental, NIST would have sufficient funds available to make between 20 and 30 new awards in the fourth competition. If the supplemental is approved, a total of approximately 60 new awards could be made.

Second, a portion of the supplemental funds will be used to support a fifth competition that would be announced as soon as appropriations are approved. Assuming approval in March 1993, proposals would be due in June 1993 with funding decisions made towards the end of this fiscal year. Approximately 40 additional projects could be funded in the fifth competition.

Third, a special ATP competition in the area of Advanced Manufacturing Technology Development will be announced approximately one month after appropriations are approved. This competition would focus on the creation of multi-year joint ventures to develop, refine, test, and transfer design and manufacturing technologies and associated applications, including advanced computer integration and electronic networks for manufacturing information exchange. This competition would implement the extramural component of the Advanced Manufacturing Development Program contained in S.4 and H.R. 820. ATP is currently funding four projects in this area and the supplemental would enable the support of 3-5 additional projects. The ATP extramural Advanced Manufacturing Development projects will be coordinated with NIST intramural activities to be supported in part by the other component of this supplemental.

If the supplemental is approved, the ATP will have funded about 160 projects involving an estimated $ 2 billion in federal and private sector funds. The projects will cover most of the critical technology areas identified by the Office of Science and Technology Policy in sufficient depth to begin to make a measurable impact on the growth of industrial sectors that utilize these technologies.

Exhibit 14

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
SUPPLEMENTAL PERSONNEL DETAIL

Activity: Extramural programs
Subactivity: Technology development and transfer mechanisms
Program Change: Advanced technology program

Title	Grade	Number	Annual Salary	Total Salaries
Biotechnologist	15	1	$66,609	$66,609
Computer scientist	15	1	66,609	66,609
Electrical engineer	15	2	66,609	133,218
Mechanical engineer	15	2	66,609	133,218
Metallurgist	15	1	66,609	66,609
Physicist	15	1	66,609	66,609
Economist	14	1	56,627	56,627
Materials research engineer	14	2	56,627	113,254
Research chemist	14	1	56,627	56,627
Attorney	13	1	47,920	47,920
Business specialist	13	1	47,920	47,920
Technical information specialist	12	1	40,298	40,298
Attorney	11	1	33,623	33,623
Economist	11	2	33,623	67,246
Grants specialist	11	2	33,623	67,246
Public affairs specialist	11	1	33,623	33,623
Writer/editor	11	1	33,623	33,623
Administrative officer	9	2	27,789	55,578
Administrative/technical support	9	6	27,789	166,734

Title		Grade	Number	Annual Salary	Total Salaries
Computer specialist		9	1	27,789	27,789
Contract specialist		9	3	27,789	83,367
Physical science technician		9	1	27,789	27,789
Writer/editor		9	1	27,789	27,789
Administrative assistant		7	2	22,717	45,434
Grant assistant		7	2	22,717	45,434
Secretary		7	2	23,474	46,948
Technical information assistant		7	1	22,717	22,717
Secretary		6	2	21,805	43,610
Clerk typist		5	2	20,173	40,346
Secretary		5	2	20,173	40,346
Clerk		3	2	14,603	29,206
Subtotal			51		1,833,966
Less lapse	50 %		(26)		(916,983)
Total full–time permanent (FTE)			25		916,983

Personnel Data	
Full–Time Equivalent Employment:	
Full–time permanent	25
Authorized Positions:	
Full–time permanent	51

Exhibit 15

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
SUPPLEMENTAL DETAIL BY OBJECT CLASS
(Dollars in thousands)

Activity Extramural programs
Subactivity: Technology development and transfer mechanisms
Program Change: Advanced technology program

Object Class		1993 Increase
11	Personnel compensation	
11.1	Full–time permanent	$917
11.9	Total personnel compensation	917
12.1	Civilian personnel benefits	266
21	Travel and transportation of persons	165
22	Transportation of things	200
23.3	Communications, utilities and miscellaneous charges	267
24	Printing and reproduction	224
25.1	Consulting services	0
25.2	Other services	3,791
26	Supplies and materials	552
31	Equipment	393
32	Land and structures	0
41	Grants, subsidies and contributions	46,325
99	Direct obligations	53,100
	Transfer to NIST Working Capital Fund	1,400
	Unobligated Balance, End of Year	48,815
	Total increase requested	103,315

Exhibit 16

National Institute of Standards and Technology
Industrial Technology Services
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11	Personnel compensation			
11.1	Full-time permanent	$5,676	$917	$6,593
11.3	Other than full-time permanent	385	...	385
11.5	Other personnel compensation	20	...	20
11.9	Total personnel compensation	6,081	917	6,998
12.1	Civilian personnel benefits	1,247	266	1,513
13	Benefits for former personnel	6	...	6
21	Travel and transportation of persons	502	165	667
22	Transportation of things	170	200	370
23.2	Rental payments to others	34	...	34
23.3	Communications, utilities, and miscellaneous charges	642	267	909
24	Printing and reproduction	60	224	284
25.1	Consulting services	327	...	327
25.2	Other services	4,453	3,791	8,244
26	Supplies and materials	986	552	1,538
31	Equipment	313	393	706
32	Land and structures	...	...	...
41	Grants, subsidies, and contributions	116,377	46,325	162,702
42	Insurance claims and indemnities	...	...	...
99	Total Obligations	131,198	53,100	184,298
	Transfer to NIST Working Capital Fund	...	1,400	1,400
	Total Requirements	131,198	54,500	185,698

Personnel Data	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Full–time equivalent employment:			
Full–time permanent	89	25	114
Other than full–time permanent	10	...	10
Total	99	25	124
Authorized Positions:			
Full–time permanent	91	51	142
Other than full–time permanent	12	...	12
Total	103	51	154

Exhibit 17

Department of Commerce
National Institute of Standards and Technology
Industrial Technology Services
DETAILED REQUIREMENTS BY OBJECT CLASS
(Dollar amounts in thousands)

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11	Personnel compensation			
11.1	Full-time permanent			
	Executive level	...	...	...
	Senior executive service	$399	...	$399
	General schedule	5,277	$917	6,194
	Wage board	...	...	...
	Scientific & professional (P.L. 80-313)	...	...	...
	Subtotal	5,676	917	6,593
11.3	Other than full-time permanent			
	General schedule	385	...	385
	Wage board	...	...	...
	Scientific & professional (P.L. 80-313)	...	...	...
	Experts & consultants	...	...	...
	Student	...	...	...
	Subtotal	385	...	385
11.5	Other personnel compensation			
	Overtime	10	...	10
	SES performance awards	...	...	...
	Cash awards	10	...	10
	Other	...	...	...
	Subtotal	20	...	20
11.9	Total personnel compensation	6,081	917	6,998

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
12.1	Civilian personnel benefits			
	Civil service retirement	217	...	217
	Federal employees' retirement	331	119	450
	Thrift savings plan	134	28	162
	Federal Insurance Contribution Act	288	70	358
	Health insurance	215	45	260
	Life insurance	20	4	24
	Employees' Compensation Fund	42	...	42
	Other	...	...	...
	Subtotal	1,247	266	1,513
13	Benefits for former personnel			
	Severance pay	4	...	4
	Unemployment compensation	2	...	2
	Subtotal	6	...	6
21	Travel and transportation of persons			
	Common carrier	208	67	275
	Mileage	13	4	17
	Per diem/actual	215	70	285
	Other	66	24	90
	Subtotal	502	165	667
22	Transportation of things	170	200	370
23.2	Rental payments to others	34	...	34

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
23.3	Communications, utilities, and miscellaneous charges			
	Rental of ADP equipment	...	20	20
	Rental of office copying equipment	73	24	97
	Other equipment rental	57	45	102
	Federal telecommunications system	19	7	26
	Other telecommunications services	58	19	77
	Postal Service by USPS	36	13	49
	Utilities:			
	Electric	280	95	375
	Gas	72	27	99
	Water/Sewer	47	17	64
	Subtotal	642	267	909
24	Printing and reproduction			
	Publications	41	171	212
	Other	19	53	72
	Subtotal	60	224	284
25.1	Consulting services	327	...	327
25.2	Other services			
	Training:			
	Office of Personnel Management	...	...	...
	Other	11	4	15
	Maintenance of equipment	87	8	95
	ADP Services	38	10	48
	Payments to GA, WCF	86	...	86
	Other Federal agencies:			
	Dept. of Commerce	186	1,339	1,525
	Other	1,111	307	1,418
	Other non-government contracts	2,934	2,123	5,057
	Subtotal	4,453	3,791	8,244

	Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
26	Supplies and materials			
	Office & laboratory supplies	873	552	1,425
	Scientific publications & journals	5	...	5
	Fuel oil	7	...	7
	ADP supplies	101	...	101
	Subtotal	986	552	1,538
31	Equipment			
	Office machines and other equipment	74	340	414
	ADP equipment	17	53	70
	Equipment depreciation	222	...	222
	Subtotal	313	393	706
32	Land and structures	...	...	...
41	Grants, subsidies, and contributions	116,377	46,325	162,702
42	Insurance claims and indemnities	...	...	...
99	Total Obligations	131,198	53,100	184,298
	Transfer to NIST Working Capital Fund	...	1,400	1,400
	Total Requirements	131,198	54,500	185,698

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Case 180
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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
INDUSTRIAL TECHNOLOGY SERVICES

Program and financing (in thousands of dollars)

Identification code 13–0525–1–1–376		Presently Available	Proposed Supplemental	Revised Estimate
	Program by activities:			
	Direct program:			
	Extramural programs:			
00.01	Technology development and transfer mechanisms	131,198	53,100	184,298
10.00	Total obligations	131,198	53,100	184,298
	Financing:			
21.40	Unobligated balance available, start of year	(45,131)	...	(45,131)
24.40	Unobligated balance available, end of year		48,815	48,815
39.00	**Budget authority**	86,067	101,915	187,982
	Budget authority:			
40.00	Appropriation	86,067	103,315	189,382
41.00	Transferred to other accounts	...	(1,400)	(1,400)
43.00	**Appropriation (total)**	86,067	101,915	187,982
	Relation of obligations to outlays:			
71.00	Total obligations	131,198	53,100	184,298
72.40	Obligated balance, start of year	56,374	...	56,374
74.40	Obligated balance, end of year	(120,784)	(20,900)	(141,684)
90.00	Outlays	66,788	32,200	98,988
	(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

NIST-39

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
INDUSTRIAL TECHNOLOGY SERVICES

Object Classification (in thousands of dollars)

Identification code 13–0525–1–1–376		Presently Available	Proposed Supplemental	Revised Estimate
	Personnel compensation:			
11.1	Full–time permanent	5,676	917	6,593
11.3	Other than full–time permanent	385	...	385
11.5	Other personnel compensation	20	...	20
11.9	Total personnel compensation	6,081	917	6,998
12.1	Civilian personnel benefits	1,247	266	1,513
13.0	Benefits for former personnel	6	...	6
21.0	Travel and transportation of persons	502	165	667
22.0	Transportation of things	170	200	370
23.2	Rental payments to others	34	...	34
23.3	Communications, utilities, and miscellaneous charges	642	267	909
24.0	Printing and reproduction	60	224	284
25.1	Consulting services	327	...	327
25.2	Other services	4,453	3,791	8,244
26.0	Supplies and materials	986	552	1,538
31.0	Equipment	313	393	706
32.0	Land and structures	...	...	...
41.0	Grants, subsidies, and contributions	116,377	46,325	162,702
99.9	Total obligations	131,198	53,100	184,298
	(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.5)

NIST-40

Type size:
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Red underscore
Case 210

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF COMMERCE
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY
INDUSTRIAL TECHNOLOGY SERVICES

Personnel Summary

Identification code 13–0525–1–1–376	Presently Available	Proposed Supplemental	Revised Estimate
Total compensable workyears:			
Full–time equivalent employment	99	25	124
Full–time equivalent of overtime and holiday hours	...	...	...
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.9)

NIST-41

Exhibit 6

Department of Commerce
National Institute of Standards and Technology
Working Capital Fund
SUMMARY OF REIMBURSABLE OBLIGATIONS
(Dollar amounts in thousands)

Page No.	Comparison by activity:	1993 Presently Available		1993 Proposed Supplemental		1993 Revised Estimate	
		Personnel	Amount	Personnel	Amount	Personnel	Amount
	Measurement and engineering research and standards						
	Electronics and electrical engineering						
	WCF transfers	...	$700	...	...	...	$700
	Reimbursable obligations	188	17,389	...	...	188	17,389
	Subtotal	188	18,089	...	...	188	18,089
	Manufacturing engineering						
	WCF transfers	...	60	...	...	...	60
	Reimbursable obligations	186	25,252	...	...	186	25,252
	Subtotal	186	25,312	...	...	186	25,312
	Chemical science and technology						
	WCF transfers	...	80	...	...	...	80
	Reimbursable obligations	182	18,079	...	...	182	18,079
	Subtotal	182	18,159	...	...	182	18,159
	Physics						
	WCF transfers	...	...	...	...	...	...
	Reimbursable obligations	96	13,845	...	...	96	13,845
	Subtotal	96	13,845	...	...	96	13,845
	Materials science and engineering						
	WCF transfers	...	...	...	...	...	...
	Reimbursable obligations	145	15,567	...	...	145	15,567
	Subtotal	145	15,567	...	...	145	15,567

Page		1993		1993		1993	
		Presently Available		Proposed Supplemental		Revised Estimate	
No.	Comparison by activity:	Personnel	Amount	Personnel	Amount	Personnel	Amount
	Building and fire research						
	WCF transfers	...	...	...	...	...	...
	Reimbursable obligations	122	11,887	...	...	122	11,887
	Subtotal	122	11,887	...	...	122	11,887
NIST–5	Computer systems						
	WCF transfers	...	...	...	3,613	...	3,613
	Reimbursable obligations	185	18,744	...	...	185	18,744
	Subtotal	185	18,744	...	3,613	185	22,357
	Applied mathematics and scientific computing						
	WCF transfers	...	...	...	...	...	...
	Reimbursable obligations	19	3,007	...	...	19	3,007
	Subtotal	19	3,007	...	...	19	3,007
	Technology assistance						
	WCF transfers	...	...	...	...	...	...
	Reimbursable obligations	154	18,278	...	...	154	18,278
	Subtotal	154	18,278	...	...	154	18,278
	Research support activities						
	WCF transfers	...	36	...	...	...	36
	Reimbursable obligations	15	7,026	...	...	15	7,026
	Subtotal	15	7,062	...	...	15	7,062
	Extramural Programs						
NIST–25	Technology development and transfer mechanisms						
	WCF transfers	...	...	...	1,400	...	1,400
	Reimbursable obligations	...	1,285	...	...	...	1,285
	Subtotal	...	1,285	...	1,400	...	2,685
	Total, National Institute of Standards and Technology						
	WCF transfers	...	876	...	5,013	...	5,889
	Reimbursable obligations	1,292	150,359	...	...	1,292	150,359
	Total	1,292	151,235	...	5,013	1,292	156,248

Mr. LYONS. Good morning, Mr. Chairman, I am John Lyons, currently serving as Acting Under Secretary for Technology. As you already heard Secretary Brown testify, we are asking for an increase in two appropriations for NIST in this supplemental budget, a total of $117.4 million.

In one appropriation we are asking for a $103.3 million increase for the Advanced Technology Program, bringing that to a total for the fiscal year 1993 to $189.4 million.

In the Scientific and Technical Research and Services appropriation, we are requesting an increase of $14.1 million for High Performance Communications and Computing and/or Information Infrastructure, what we were talking about as an information highway earlier. This will bring the appropriation total for that account to $207.0 million.

We have discussed with the committee in the last several years our efforts to develop and bring into play the Advanced Technology Program, as well as the manufacturing centers.

I know the committee has been very interested in our progress. We are delighted now at NIST, with the support for this program that the new administration is expressing in both the supplemental and in the weeks to come.

Mr. SMITH of Iowa. Thank you.

[The statement of Dr. Lyons follows:]

U.S. DEPARTMENT OF COMMERCE
STATEMENT OF JOHN W. LYONS
ACTING UNDER SECRETARY FOR TECHNOLOGY
TECHNOLOGY ADMINISTRATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON
COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

February 23, 1993

Mr. Chairman and members of the subcommittee, I am pleased to appear before you today to present the President's fiscal year 1993 supplemental budget request for the National Institute of Standards and Technology.

The President is requesting supplemental increases in two appropriations for NIST that total $117.4 million. In the Industrial Technology Services appropriation, we are requesting an increase of $103.3 million for the Advanced Technology Program bringing that appropriation for fiscal year 1993 to a total of $189.4 million. In the Scientific and Technical Research and Services appropriation we are requesting an increase of $14.1 million for HPCC/Information Infrastructure as authorized in the American Technology Preeminence Act of 1991 and as described in the Information Infrastructure and Technology Act of 1992 introduced by then Senator Gore and currently incorporated in S. 4, the National Competitiveness Act of 1993. This increase will bring the appropriation total for FY 1993 to a total of $207.0 million.

The Advanced Technology Program (ATP) has been operational for about three years and its impact on the companies and technologies being supported is substantial. We seek a $103 million supplemental appropriation in FY 1993 to allow the ATP to make a smooth transition to a higher level of activity planned for FY 1994. ATP currently has an open competition in progress which will be expanded. Awards will be announced by September.

The supplemental appropriation NIST seeks in HPCC/Information Infrastructure will accelerate the commercialization of new information technologies by enabling NIST to expand its active research and development program in areas related to high-performance computing and high-speed networking for manufacturing applications. An Advanced Manufacturing Systems and Networking Testbed (AMSANT) will be established at NIST. Research and testing will be conducted at the NIST AMSANT as well as at testbed(s) selected under the NIST Advanced Technology Program.

Thank you, Mr. Chairman. I will be pleased to answer any questions you have.

Mr. SMITH OF IOWA. The next item we will consider this morning is the request of the National Telecommunications and Information Administration, NTIA, for $64 million under the Public Telecommunications Facilities Program, PTFP. Testifying on behalf of this request is the Acting Assistant Secretary for Communications and Information, Thomas J. Sugrue.

We will insert the justifications for this request into the record at this point, and we will ask you to briefly summarize your statement.

[The justifications follow:]

Department of Commerce
NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

Public Telecommunications Facilities, Planning and Construction
Supplemental Budget Request
Fiscal Year 1993

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Congressional Submission
February 1993

Summary Statement
Department of Commerce
National Telecommunications and Information Administration

Supplemental Budget Request
Fiscal Year 1993

Public Telecommunications Facilities, Planning and Construction

	Appropriation
Presently available	$21,320,000
Proposed supplemental	63,867,000
Revised estimate	85,187,000

	FTE	Pos
Presently available	15	15
Proposed supplemental	15	30
Revised estimate	30	45

STATEMENT OF PURPOSE AND NEED

Noncommercial telecommunications infrastructures for education, health care and other critical services are not being developed at a pace satisfactory to serve public needs in the information age. Due to the large capital required for developing telecommunications infrastructures, states and non-commercial entities lack adequate resources to take full advantage of increasingly-sophisticated telecommunications technologies. With adequate funding, these entities could develop new telecommunications infrastructures or interconnect with existing ones. Federal funding to assist states and other non-commercial entities both in the purchase of costly equipment and in undertaking the necessary planning related to telecommunications infrastructure development would in turn help to improve education all levels, to increase worker productivity, to improve the delivery of health care, particularly to rural areas, and to enhance our general quality of life.

DEPARTMENT OF COMMERCE

NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION

PUBLIC TELECOMMUNICATIONS FACILITIES, PLANNING AND CONSTRUCTION

For an additional amount for "Public telecommunications facilities, planning, and construction," $63,867,000, to remain available until expended, of which not to exceed $2,818,000 shall be available for program administration as authorized by section 391 of the Communications Act of 1934, as amended.

22-Feb-93

Exhibit 5

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
Comparison by activity:	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Public Telecommunications Facilities Program:									
(a) Grants................	0	0	20,277	0	0	61,049	0	0	81,326
(b) Program Management..... policies..............	14	14	1,654	15	30	2,818	29	44	4,472
Subtotal..................	14	14	21,931	15	30	63,867	29	44	85,798
Pan-Pacific Educational and Cultural Experiments by Satellite Program:									
(a) Grants................	0	0	758	0	0	0	0	0	758
(b) Program Management.....	1	1	335	0	0	0	1	1	335
Subtotal..................	1	1	1,093	0	0	0	1	1	1,093
Total Direct Obligations...	15	15	23024	15	30	63,867	30	45	86,891
Adjustments to Obligations Unobligated Balance, start of year			(1,704)						(1,704)
Financing from transfers:									
Transfers from other accounts FTE/BA	0	0	0	0	0	0	0	0	0
Transfers to other accounts FTE/BA	0	0	0	0	0	0	0	0	0
Appropriation	15	15	21,320	15	30	63,867	30	45	85,187

22-Feb-93

Exhibit 10

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
PROGRAM AND PERFORMANCE
(Dollar amounts in thousands)

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
Comparison by activity:	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Public Telecommunications Facilities Program:									
(a) Grants................	0	0	20,277	0	0	61,049	0	0	81,326
(b) Program Management..... policies..............	14	14	1,654	15	30	2,818	29	44	4,472
Subtotal..................	14	14	21,931	15	30	63,867	29	44	85,798
Pan-Pacific Educational and Cultural Experiments by Satellite Program:									
(a) Grants................	0	0	758	0	0	0	0	0	758
(b) Program Management.....	1	1	335	0	0	0	1	1	335
Subtotal..................	1	1	1,093	0	0	0	1	1	1,093
Total Direct Obligations...	15	15	23024	15	30	63867	30	45	86891

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
JUSTIFICATION OF PROGRAM AND PERFORMANCE

Goal Statement

To enhance the provision of critical services through telecommunications and promote development of advanced telecommunications infrastructure applications. To ensure that the maximum number of U.S. citizens have convenient access to a wide variety of public services -- e.g., higher education, job training, health care -- through the use of state-of-the-art telecommunications technology.

Base Program

o Explanation and Justification

The Public Telecommunications Facilities Program awards grants to noncommercial entities for the planning and construction of telecommunications facilities throughout the United States and its territories. PTFP has three major responsibilities: 1) to extend public telecommunications services to as much of the population as possible; 2) to improve and maintain the facilities at public broadcasting stations; and 3) to increase public telecommunications services and facilities available to, operated by, and owned by minorities and women.

The Public Broadcasting system has been the primary recipient of PTFP funds. Over 80% of available funding has been spent in ensuring that public broadcasting signals reach the American population and that the facilities are maintained in a professional manner. The public broadcasting network consists of stations throughout the United States and its territories. These stations offer a broad array of fare including cultural and educational programs. In some areas, public broadcasting is the only form of noncommercial communications. It is anticipated that changing technology and the need to meet the requirements of unserved audiences will require sustained Federal resources no less than past appropriations. PTFP projects also help the visually- and hearing-impaired to receive these public broadcasting services.

In addition, PTFP has a responsibility to fund other noncommercial telecommunications networks that allow for educational and cultural programming. Projects funded through the PTFP program use telecommunications to deliver educational services for subjects areas such as agriculture, engineering and vocational education. In contrast to public broadcasting networks, these systems typically use other technologies, such as terrestrial microwave and satellite systems, and increasingly fiber optic systems. Many of these systems have been ground breaking efforts that have proved the viability of telecommunications technology.

Funding from the PTFP appropriation also supports the Pan-Pacific Educational and Cultural Experiments by Satellite (PEACESAT) program which provides educational, medical and cultural telecommunications services to the Pacific island nations.

o Statement of Operating Objectives

NTIA's public telecommunications program objectives are to ensure that the benefits of education are available to as many people as possible through the use of telecommunications, to improve the effectiveness of education through the use of telecommunications, to increase access to the programming of the public broadcasting network, and to increase the ability of blind and hearing impaired people to participate more fully in society.

In FY 1993, through its base program in public telecommunications, NTIA will award grants to help extend public television and public radio signals to presently unserved areas of the population; to maintain essential equipment needs of public broadcasting stations; to increase the coverage of radio reading services for the visually-handicapped and captioning services for the hearing-impaired; and to support a limited number of distance learning projects.

In reviewing all its applications, NTIA will accord special consideration to increase public telecommunications services and facilities available to, operated by, and owned by minorities and women.

o Measures of Performance

The PTFP is a competitive grant program. The mix of projects it funds in any given year depends on the nature and the competitiveness of the proposals submitted. PTFP's highest priority is to support the extension of public broadcast signals to uncovered areas. The program, however, has many other objectives. For example, it maintains the vital equipment of essential public broadcasting stations to ensure that the affected communities continue to enjoy the service of these stations. It works to improve the services of existing stations. It also attempts to increase the number of visually-handicapped and hearing-impaired persons who may receive telecommunications services targeted for their needs.

PTFP also seeks to expand the variety and the reach of educational telecommunications infrastructure services. The program's grants of this nature encourage the delivery of educational and instructional services to K-12 schools, to undergraduate and graduate school programs, and to workers at their place of employment. The affected areas of the educational projects may be as small as one county or municipality or as broad as the entire nation. To distribute their services, PTFP-funded educational projects may use either terrestrial technologies -- e.g., duplex microwave, Instruction Television Fixed Service (ITFS), and fiber optics -- or communications satellites. The program, moreover, awards grants to help plan such systems.

Finally, with all its projects -- broadcast and nonbroadcast -- the program strives to increase the number of public telecommunications services and facilities available to, operated by, and owned by minorities and women.

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
SUPPLEMENTAL FOR FY 1993
(Dollar amounts in thousands)

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
	FTE	Pos	Amount	FTE	Pos	Amount	FTE	Pos	Amount
Public Telecommunications Facilities Program	15	15	$21,320	15	30	$63,867	30	45	$85,187

Telecommunications Infrastructure Development (+15 FTE's, +$63,867) For over 30 years the Public Telecommunications Facilities Program has successfully contributed to the development of infrastructure projects throughout the United States and its territories. Over $400 million has been invested to ensure that as many citizens of the United States as possible have access to telecommunications facilities. NTIA has awarded most of its grants to public television and public radio projects, either for state systems or individual stations. This is due to PTFP's statutory mandate, which since 1962 has emphasized the activation and extension of such signals and the maintenance of the equipment inventories of these stations.

In 1978, the Congress recognized that telecommunications technologies, in addition to over-the-air broadcasting, were essential in meeting the needs of the population. PTFP was therefore authorized to award grants to nonbroadcast telecommunications entities. For the past 14 years, NTIA has been instrumental in funding major projects in the field of distance learning through the use of both satellite and terrestrial networks using other than over-the-air broadcast television systems. PTFP has assisted in bringing the benefits of distance learning to diverse educational levels: K-12; community colleges; four-year colleges and universities; graduate schools, and employee work sites. The projects also have encompassed a number of subject areas: graduate-level mathematics, science and technology; job training and retraining (both in the traditional classroom and at the work site); remedial course work; agricultural education; and difficult-to-get foreign language instruction (e.g., Japanese). (These relatively specialized offerings are, of course, in addition to the full range of more orthodox classroom programming, also helped by NTIA awards.)

Yet, while NTIA has been improving the facilities available for telecommunications infrastructure development, it is evident that non-commercial entities do not have the resources to take advantage of the full range of telecommunications technology. The funds available to NTIA have produced valuable results but have been unable to respond fully to the growing number of applications from states, localities, and other non-commercial entities involved in education that desire the opportunity to use improved telecommunications facilities to deliver better their services. At current funding levels, the Federal Government has been unable to produce the type of sustained infrastructure development that is necessary if the country is to take advantage of the benefits of the enormous potential of telecommunications technology.

To a great extent, the lack of public sector telecommunications infrastructure development may be attributed to costs. Start-up telecommunications costs can be intimidating, even prohibitive, to noncommercial entities. This is true whether the goal is to construct either a full network "backbone" system or a "last mile" interconnection in which a given entity will construct a local telecommunications system to interconnect with a larger infrastructure system.

Insufficient access to telecommunications infrastructures, of course, denies public service agencies the benefits of these new technologies. Education is especially well-served by these new technologies. Distance learning allows schools at all levels to deliver courses cost-effectively and on a large scale to remote learning centers. ("Remote" in this context might mean anything from a few miles from the main campus to a video classroom across the country.) With distance learning, students do not have to travel long distances to get to major campuses, and teachers are not required to travel extensively to get to various remote learning centers. With distance learning, entire course areas (e.g., a master's degree program) may easily be produced at a major campus and yet be received simultaneously by large classes of students at multiple locations. The same is true with job training and professional education. Telecommunications technology allows such course work to be delivered to employees at their work site, thus obviating the need for time-consuming and, all too often, needless loss of work hours with the resultant decline in productivity. The development of interactive, broadband technologies have created significant new opportunities to use telecommunications to enhance the effectiveness of education on the local, regional and national levels.

The health care system also derives many benefits from telecommunications interconnection and for many of the same reasons as education. Medical personnel at remote sites (e.g., Indian reservation health clinics) can receive in-service training and professional certification courses in a convenient and timely way.

All forms of public service agencies stand to benefit from the use of distance learning infrastructures for the cost-effective delivery of in-serving programming. With a pervasive public telecommunications infrastructure in place, all users benefit from real-time access to nationwide library resources, to data bases worldwide, and to high-speed data transmission.

Finally, the presence of a comprehensive public telecommunications infrastructure would have a profound economic dimension. Lack of access to such an infrastructure precludes institutions and individuals to remain competitive and to prosper in today's business environment.

To provide states, localities, and other non-commercial organizations with the financial incentives required to plan for and construct public telecommunications infrastructures, NTIA proposes an initiative that would, beginning in FY 1993 and extending through FY 1998, invest over $700 million in grant award projects pointed toward these ends.

NTIA has received over $77 million of telecommunications projects proposals for the Public Telecommunications Facilities Program. To expand the coverage of public broadcasting facilities and maintain the service of the existing stations to the American public, NTIA anticipates that only approximately $4-5 million would, in the normal course, be available to fund the type of infrastructure projects that this initiative recommends. NTIA is proposing that an additional $64 million be appropriated for FY 93 to be devoted solely to projects promoting the development of the telecommunications infrastructure proposed in this initiative. Some of these additional funds would be used for projects pending. In addition, NTIA would solicit planning proposals from states and other non-commercial entities (e.g. universities); and new key infrastructure construction projects to aid states and other non-commercial entities in meeting unmet educational needs.

NTIA/PTFP has 79 FY 1993 grant proposals requesting almost $30 million related directly to the development of telecommunications infrastructure. The 79 telecommunications projects would primarily assist in developing our population's educational skills. The proposals embrace a variety of academic interests; e.g., engineering, agriculture, K-12 instruction, adult learning, health education, and cross-cultural exchanges. As such, the projects could directly benefit state governments, local governments, businesses, and families that are now denied access to modern technologies. Such lack of access deters these institutions and individuals as they attempt to prosper in today's business environment, an environment that has become even more intensely competitive due to its global nature.

The additional $64 million requested for FY 1993 will achieve three objectives:

- increase the funds available for the infrastructure projects already pending before the agency;

- solicit infrastructure-related planning proposals from states and other non-commercial entities; and,

- solicit new, key infrastructure-related construction projects, again from states and non-commercial entities.

These objectives would be implemented in FY 93 as follows:

- **Objective One: To increase the funds available for the infrastructure projects already pending before the agency.**

With no changes in NTIA's authorizing legislation, NTIA could fund a sizable number of the 79 distance-learning, infrastructure applications currently pending before the PTFP. These projects have been submitted by organizations across the United States and encompass a truly broad range of technologies; e.g., satellite-delivery, duplex microwave, ITFS (a specialized form of microwave delivery), cable television, fiber optic, and dedicated telephone lines for compressed video use and high-speed data communications. The projects could serve as a platform for future infrastructure development as more advanced technologies are put into place across the Nation.

- **Objective Two: To solicit new, key infrastructure-related construction projects, again from states and non-commercial entities.**

NTIA would solicit new applications from state and local entities for infrastructure construction projects beyond the 79 proposals currently before the agency. To be fundable, the proposal must demonstrate a strong sense of urgency as well as adequate planning. It would also have to be clear that the major obstacle to timely construction is the lack of available local funding and that an immediate infusion of Federal monies would correct the situation.

- **Objective Three: To solicit infrastructure-related planning proposals from states and non-commercial entities.**

NTIA believes it is necessary to encourage a significant increase in state and local telecommunications infrastructure planning. Planning is mandatory if the states and other entities involved in education, health care, and other social services are to be favorably positioned to engage in future construction and will be imperative before the actual construction phase begins. Many states and localities know how to approach the planning, but lack the financial resources to proceed expeditiously with this task. With so many states facing tremendous financial hardships, NTIA could offer strong financial incentives to these states to make the commitment to immediate planning. Moreover, PTFP planning projects require no local match and could be implemented relatively quickly.

To ensure this proposal's effective implementation, NTIA would require $2.8 million for staff support, project planning, technical assistance, and application review. Development of telecommunications infrastructures is a complex undertaking. NTIA will have to call upon experts in infrastructure development to help establish the analytic bases for evaluating so many far-ranging projects. NTIA must provide specialized and extensive technical assistance to states and localities as they prepare their applications and then implement the grant awards. Moreover, efficient application review and grant award will require the examination of many intricate and technical questions; (e.g., the predictable effects of regulatory barriers on the feasibility of certain application projects). Complex applications will have to be meticulously reviewed and thoroughly negotiated, and carefully monitored. NTIA will give the many planning grants special attention to ensure that they will result in competitive applications for PTFP funds to construct telecommunications infrastructures.

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Exhibit 14

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunication Facilities Program
SUPPLEMENTAL PERSONNEL DETAIL

Activity: Office of Telecommunications Applications
Subactivity: Public Telecommunications Facilities Program
Program Change: Telecommunications Infrastructure Development

Personnel Title:		Grade	Number	Annual Salary	Total Salaries
Telecommunications Specialist		15	1	66,609	66,609
Telecommunications Manager		15	3	66,609	199,827
Telecommunications Specialist		14	6	56,627	339,762
Telecommunications Specialist		14	7	56,627	396,389
Telecommunications Specialist		13	4	47,920	191,680
Program Analyst		12	1	40,298	40,298
Electronics Engineers		14	2	56,627	113,254
Electronics Engineers		13	3	47,920	143,760
Secretary		8	2	25,169	50,338
Secretary		6	1	20,443	20,443
Subtotal			30		1,562,360
Less lapse	50.00%		(15)		(781,180)
Total full-time permanent			15		781,180

Personnel Data	
Full-Time Equivalent Employment:	
Full-time permanent	15
Other than full-time permanent	0
Total	15
Authorized Positions:	
Full-time permanent	30
Other than full-time permanent	0
Total	30

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Exhibit 15

Department of Commerce
National Telecommunidecommunications and Information Administration
Public Telecommunications Facilities Program
SUPPLEMENTAL DETAIL BY OBJECT CLASS
(Dollar amounts in thousands)

Activity: Office of Telecommunications Applications
Subactivity: Public Telecommunications Facilities Program
Program change: Telecommunications Infrastructure Development

Object Class	1993 Increase/ (Decrease)
11 Personnel compensation	
11.1 Full–time permanent	781
11.3 Other than full–time permanent	
11.5 Other personnel compensation	
11.9 Total personnel compensation	781
12.1 Civilian personnel Benefits	226
21 Travel and transportation of persons	200
22 Transportation of things	5
23.1 Rental payments to GSA	132
23.2 Rental payments to others	0
23.3 Communications, utilities and miscellaneous charges	64
24 Printing and reproduction	25
25 Other services	990
26 Supplies and materials	25
31 Equipment	370
41 Grants	61049
99 Direct obligations	63867

Exhibit 16

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Direct Obligations in thousands)

Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11 Personnel compensation			
11.1 Full-time permanent	1,016	781	1,797
11.3 Other than full-time permanent	52	0	52
11.5 Other personnel compensation	10	0	10
11.9 Total personnel compensation	1,078	781	1,859
12.1 Civilian personnel Benefits	105	226	331
21 Travel and transportation of persons	94	200	294
22 Transportation of things	3	5	8
23.1 Rental payments to GSA	68	132	200
23.3 Commun., util., misc. charges	22	64	86
24 Printing and reproduction	25	25	50
25 Other services	435	990	1,425
26 Supplies and materials	17	25	42
31 Equipment	7	370	377
41 Grants	21170	61049	82,219
99 Subtotal, Direct Obligations	23,024	63,867	86,891
Reimbursable Obligations	0	0	0
TOTAL OBLIGATIONS	23,024	63,867	86,891
Personnel Data			
Direct:			
Total number of full-time permanent positions	15	15	30
Total compensable workyears:			
Full-time equivalent employment	15	30	45
Full-time equivalent of overtime and holiday hours	0	0	0

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Exhibit 17

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
DETAILED REQUIREMENTS BY OBJECT CLASS
(Direct Obligations in thousands)

Object Class	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11 Personnel compensation			
11.1 Full-time permanent			
Executive level	0	0	0
Senior executive service	104	0	104
General schedule	912	781	1,693
Subtotal	1,016	781	1,797
11.3 Other than full-time permanent			
General schedule	52	0	52
Subtotal	52	0	52
11.5 Other personnel compensation			
Overtime	0	0	0
Cash awards	10	0	10
Subtotal	10	0	10
11.9 Total personnel compensation	1,078	781	1,859
12.1 Civilian personnel benefits			
Civil service retirement	6	13	19
Federal employees' retirement	37	80	117
Thrift savings plan	8	17	25
Federal insurance contribution act	21	45	66
Health insurance	30	65	95
Life insurance	2	4	6
Employees' compensation fund	1	2	3
Other	0	0	0
Subtotal	105	226	331
21 Travel and transportation of persons			
Common carrier	24	51	75
Per diem/actual	65	138	203
Other	5	11	16
Subtotal	94	200	294
22 Transportation of things	3	5	8
23.1 Rental payments to GSA	68	132	200

23.3 Communications, utilities and miscellaneous charges			
Rental of ADP equipment	0	0	0
Rental of office copying equipment	0	0	0
Other equipment rental	0	0	0
Federal telecommunications system	4	12	16
Other telecommunications services	10	29	39
Postal Service by USPS	8	23	31
Other	0	0	0
Subtotal	22	64	86
24 Printing and reproduction			
[Payments to WCF]	25	25	50
Boulder printing	0	0	0
Subtotal	25	25	50
25 Other services			
Training:			
Office of personnel management	3	5	8
Other	5	8	13
Other federal agencies:			
National Oceanic and Atmospheric Admin. – Cross Services	0	0	0
National Institute of Standards and Tech. – Cross Services	0	0	0
National Institute of Standards and Tech. – Acctg Services	20	17	37
Other agencies	0	25	25
Maintenance of equipment	0	4	4
GSA reimbursable services	0	0	0
Payments to WCF	350	225	575
Transfer to GA	0	0	0
Other	57	706	763
Subtotal	435	990	1,425
26 Supplies and materials			
Office supplies	12	13	25
ADP supplies	5	12	17
Subtotal	17	25	42
31 Equipment			
ADP equipment	3	212	215
Equipment depreciation	0	0	0
Other	4	158	162
Subtotal	7	370	377
41 Grants, subsidies and contributions	21,170	61,049	82,219
99 Subtotal, Direct Obligations	23,024	63,867	86,891
Reimbursable Obligations	0	0	0
TOTAL OBLIGATIONS	23,024	63,867	86,891

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Exhibit 7

Department of Commerce
National Telecommunications and Information Administration
Public Telecommunications Facilities, Planning and Construction
SUMMARY OF FINANCING
(Dollar amounts in thousands)

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
	Amount	Amount	Amount
Total Obligations	23,024	63,867	86,891
Financing:			
Offsetting collections from:			
Federal funds	0	0	0
Non-Federal sources	0	0	0
Recoveries	0	0	0
Unobligated balance, start of year	(1,704)	0	(1,704)
Unobligated balance transferred	0	0	0
Unobligated balance, end of year	0	0	0
Unobligated balance lapsing	0	0	0
Budget Authority	21,320	63,867	85,187
Transferred to /from other accounts	0	0	0
Appropriation	21,320	63,867	85,187

Mr. SUGRUE. Good morning, Mr. Chairman, I am Tom Sugrue, the Acting Administrator of the National Telecommunications Information Administration.

As Secretary Brown has outlined, we are proposing as part of the stimulus package for fiscal year 1993 a program to develop the National Information Infrastructure and we are seeking $64 million in supplemental 1993 funds, both to support construction and planning efforts.

At this time there are 79 grant proposals that have been submitted to PTFP for consideration for fiscal 1993, support relating directly to the development of telecommunications infrastructure. These proposals embrace a variety of academic interests. They are educationally related projects, engineering, agriculture, K–12 instruction, adult learning, health education, and cross-cultural exchanges.

They also use a variety of technologies, satellites, fiber optics, microwave, et cetera. With no changes in PTFP's authorizing legislation, we can support a sizable number of these pending distance-learning infrastructure applications, and we are also considering soliciting additional applications for projects beyond those currently before the agency.

I should add that often the type of project for which Federal funds are sought and which NTIA has supported in the past, is a "last mile" type of connection to some basic broadbased network, and the larger network could take the form of a satellite connection, terrestrial microwave system, a fiber optic network, or a telephone line dedicated to the use of compressed video signals. Applicants then often require facilities that allow them to plug into an existing infrastructural network.

Interconnecting school systems, for example, the INTERNET, as Mr. Carr raised, or with the PBS Telstar system Mr. Moran raised, or in Iowa, interconnecting school systems to the state-wide fiber optic system, would be examples of that "last mile" type of application that frequently has been a target of funds, and I think would remain so as an object in this program.

We also intend to support a significant increase in planning efforts. This is tied into our hope and expectation that this program does have this initiative, goes on forward in 1994 and the out-years as well.

This is an attempt to use supplemental appropriations, as Mr. Carr said, to jump start that process and put it in a much better position to bring the full benefits of advanced telecommunications to all our citizens.

We believe this supplemental will not only create jobs, but put us well down the road for those future years.

Thank you.

[The prepared statement of Mr. Sugrue follows:]

STATEMENT OF

THOMAS J. SUGRUE
ACTING ASSISTANT SECRETARY
FOR COMMUNICATIONS AND INFORMATION

U.S. DEPARTMENT OF COMMERCE

BEFORE THE
HOUSE APPROPRIATIONS SUBCOMMITTEE
ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE,
THE JUDICIARY, AND RELATED SERVICES

February 23, 1993

In order to successfully implement the Administration's vision for a 21st century information infrastructure, the Government must promote activities that foster competition and stimulate efficient investment, relying on the private sector as the prime mover. Telecommunications infrastructure in the United States has historically been driven by private investment; and it is not necessary, nor would it be effective, for Government to attempt to supplant the private sector in that role by undertaking massive new Government spending on infrastructure projects. The U.S. government can, however, play an extremely important, complementary role by investing in programs that ensure that infrastructure development will lead to additional benefits for all American citizens. This is especially true when it comes to the delivery of those essential services that the Government has traditionally provided -- education being a prime example. At the same time the United States must rethink and reshape outdated telecommunications laws and regulations that were originally designed for a technology that delivered only plain voice service and a marketplace characterized by local and national monopolies.

NTIA proposes to use the existing authorities of the Public Telecommunications Facilities program (PTFP) in FY 1993 to help the Nation along the road to meeting the goals of a National Information Infrastructure. We are asking for $64 million in supplemental 1993 funds to support projects, consisting of both construction and planning activities, that will help make modern advanced telecommunications capabilities available to schools, universities, and other educational institutions.

At this time, there are 79 grant proposals that have been submitted to PTFP for consideration for FY 1993 support relating directly to the development of educational telecommunications infrastructure. The proposals embrace a variety of academic interests, e.g., engineering, agriculture, K-12 instruction, adult learning, health education, and cross-cultural exchanges. The projects would use a variety of modern telecommunications technology to make educational resources more readily available to all Americans.

With no changes in PTFP's authorizing legislation, NTIA could support a sizable number of the PTFP's pending distance-learning, infrastructure applications. These projects have been proposed by organizations involved in education across the United States. The projects reflect a strong commitment from applicant organizations, as measured in time spent in preparing the proposals and in dollars committed to matching funds. The projects could serve as a platform for future infrastructure development as more advanced technologies are put into place across the Nation. Often the type of project for which Federal funds are requested -- and which NTIA has supported in the past -- is a "last mile" connection to some basic, "backbone" network. The larger network may take the form of a satellite interconnection, a terrestrial microwave system, a fiber optic network, or a telephone line dedicated to the use of compressed video signals. Applicants, then, often require equipment that allows them to "plug into" an existing infrastructural network.

NTIA is also considering soliciting additional applications for infrastructural construction projects beyond those currently before the agency. The probable focus for these additional projects would be state and local governments.

Also in FY 1993, NTIA seeks to bring about a significant increase in telecommunications infrastructure development planning activities. Such planning is critical if states, localities, and other groups are to be positioned to take advantage of the benefits to be derived from advanced "information highways". Planning applications for advanced infrastructure development focused on education, health care, and other critical social services will be solicited from state governments, as well as from other entities such as universities, local governments, and other organizations involved in delivering these types of services to the public. These planning activities will establish a strong foundation for our efforts in future years.

In that regard, I do want to point out that, while today's hearing is focused on the 1993 stimulus package, the 1993 telecommunications infrastructure program NTIA is proposing will provide the basis for information infrastructure activities in 1994 and beyond. The President has proposed a package of $500 million over the next four years for advanced public telecommunications infrastructure projects. While infrastructure funding under the present PTFP program is limited to educational projects, we will be developing legislative proposals over the next few months to expand the scope of the projects that can be funded through NTIA to also include health care and other critical services in order to bring the full benefits of advanced telecommunications to all our citizens.

Mr. SMITH of Iowa. Next we will hear from Diana Josephson, Deputy Under Secretary for Oceans and Atmosphere at the Department of Commerce. The economic stimulus package includes $81,000,000 for the National Oceanic and Atmospheric Administration. We will insert the justifications for this request into the record at this point, Ms. Josephson, and you may proceed with a brief summary of your request.

[The justifications follow:]

APPROPRIATION SUMMARY STATEMENT
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
DEPARTMENT OF COMMERCE

Operations, Research, and Facilities
Supplemental Budget Request
Fiscal Year 1993

Appropriation

Presently Available	$1,526,516,000
Proposed Supplemental	$81,000,000
Revised Estimate	$1,607,516,000

STATEMENT OF PURPOSE AND NEED

The supplemental request would provide funding to the National Oceanic and Atmospheric Administration (NOAA) in support of the President's goals of rebuilding the Nation's technological and physical infrastructure and providing immediate economic stimulation to hard-pressed areas of the economy. A portion of this request would also stimulate the economy through direct hiring of new employees, essential employee relocations (e.g. buying and selling of houses and the movement of households), and timely movement of offices from obsolete to planned modern facilities. Expeditious outlay for infrastructure purchases is available through contractual vehicles already in place or in the final stages of being awarded or off-the-shelf purchases of hardware and software. The request provides for:

Building NOAA's Technological Infrastructure through upgrade of the multi-processor High Performance Computing and Communications system to be installed at the Forecast Systems Laboratory and purchase advanced workstations for selected NOAA locations to make possible more accurate weather and climate forecasting; update of NOAA's data systems to meet not only the current demands but also the future demands placed upon NOAA in fulfilling its goals; enable the Geophysical Fluid Dynamics Laboratory to accelerate the incorporation of the next generation of supercomputers in the modeling of regionally specific annual climate forecasts (e.g., El Nino) and predictions of global warming, by making full FY 1994 and FY 1995 payments for the existing Class VI computer; and begin purchasing a modern distributed processing system within the National Marine Fisheries Service (NMFS) that is critical to support the management, conservation and protection of U.S. living marine resources and, thereby, to maximize fisheries productivity.

Enhancing NOAA's Research and Prediction Capabilities through purchase of research instrumentation, such as atmospheric lidar and trace gas measurement systems, required to better measure the state of the atmosphere and oceans to provide a scientific basis for balancing environmental policies and economic growth; and support the purchase of research equipment, such as ground based temperature profilers and aircraft based environmental measurement and data processing equipment, which will provide the basis for continued improvements in NOAA environmental forecasts.

Weather Services Modernization to expedite staffing (i.e., to adequately staff, train, and commission NEXRAD equipped weather offices) and purchase necessary equipment for the NWS Operational Transition in FY 1993. NWS plans to fill 118 positions and commission an additional 17 stations with this request. This funding is essential if NOAA is to bring operations in phase with system deployment for the Weather Service Modernization.

APPROPRIATION LANGUAGE SHEET
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
DEPARTMENT OF COMMERCE

Operations, Research, and Facilities
Supplemental Budget Request
Fiscal Year 1993

For an additional amount to the National Oceanic and Atmospheric Administration (NOAA) in support of the President's goals of rebuilding the Nation's technological and physical infrastructure and providing immediate economic stimulation to hard-pressed areas of the economy, $81,000,000, to remain available until expended.

The supplemental request would provide for upgrade of the multi-processor High Performance Computing and Communications system to be installed at the Forecast Systems Laboratory and purchase advanced workstations for selected NOAA locations to make possible more accurate weather and climate forecasting ($11.0 million); update of NOAA's data systems to meet not only the current demands but also the future demands placed upon NOAA in fulfilling its goals ($15.0 million); enable the Geophysical Fluid Dynamics Laboratory to accelerate the incorporation of the next generation of supercomputers in the modeling of regionally specific annual climate forecasts (e.g., El Nino) and predictions of global warming, by making full FY 1994 and FY 1995 payments for the existing Class VI computer ($8.0 million); begin purchase of a modern distributed processing system within the National Marine Fisheries Service (NMFS) that is critical to support the management, conservation and protection of U.S. living marine resources and, thereby, to maximize fisheries productivity ($9.0 million); purchase of instrumentation, such as atmospheric lidar and trace gas measurement systems, required to better measure the state of the atmosphere and oceans to provide a scientific basis for balancing environmental policies and economic growth ($7.0 million); support the purchase of research equipment, such as ground based temperature profilers and aircraft based environmental measurement and data processing equipment, which will provide the basis for continued improvements in NOAA environmental forecasts ($10.0 million); expedite staffing (i.e., to adequately staff, train, and commission NEXRAD equipped weather offices) and purchase necessary equipment for the NWS Operational Transition in FY 1993 ($21.0 million).

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Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research and Facilities
Summary of Resource Requirements
(Dollar amounts in thousands)

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Comparison by activity:			
National Ocean Service	184,272	0	184,272
National Marine Fisheries Service	238,081	9,000	247,081
Oceanic and Atmospheric Research	207,667	36,000	243,667
National Weather Service	553,798	21,000	574,798
National Environmental Satellite, Data and Information Service	358,122	15,000	373,122
Program Support	147,321	0	147,321
Total direct program, NOAA	1,689,261	81,000	1,770,261
Reimbursable program, NOAA	369,081	0	369,081
Total obligations	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities
Supplemental Personnel Data

Activity: National Weather Service
Subactivity: Operations and Research
Program Change: NWS Transition (MARDI)

Title:	Grade	Number	Salary	Total Salaries
Meteorologist	GM-14	28	$54,612	$1,529,136
Hydrologist	GM-14	6	$54,612	$327,672
Meteorologist	GM-13	32	$46,212	$1,478,784
Hydrologist	GM-13	(4)	$46,212	($184,848)
Electrical Engineer	GM-13	(1)	$46,212	($46,212)
Meteorological Technician	GS-12	12	$38,856	$466,272
Meteorologist	GS-12	46	$38,856	$1,787,376
Hydrologist	GS-12	3	$38,856	$116,568
Electronics Technician	GS-12	(4)	$38,856	($155,424)
Meteorological Technician	GS-11	40	$32,424	$1,296,960
Electronics Technician	GS-11	1	$32,424	$32,424
Meteorological Technician	GS-10	(54)	$29,520	($1,594,080)
Electronics Technician	GS-10	(3)	$29,520	($88,560)
Meteorological Technician	GS-9	17	$26,796	$455,532
Electronics Technician	GS-9	(2)	$26,796	($53,592)
Meteorological Technician	GS-8	(2)	$24,264	($48,528)
Meteorological Technician	GS-7	(2)	$21,912	($43,824)
Program Analyst	GS-7	1	$21,912	$21,912
Clerical	GS-6	5	$19,716	$98,580
Clerical	GS-4	(1)	$15,804	($15,804)
Total		118		$5,330,344
Less Lapse	38.11%	(38)		($2,050,405)
Total FY 1993 FTE		80		$3,329,939
FY 1993 Pay Adjustment (3.7%)				$123,208
TOTAL				$3,453,147

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research and Facilities
Summary of Requirements by Object Class
(Dollar Amounts in Thousands)

Object Class	Presently Available 1993	Proposed Supplemental 1993	Revised Estimate 1993
11 Personnel compensation:			
11.1 Full-time permanent	510,508	3,453	513,961
11.3 Other than full-time permanent	12,613	0	12,613
11.5 Other personnel compensation	24,700	208	24,908
11.9	547,821	3,661	551,482
12.1 Civilian personnel benefits	106,112	4,574	110,686
13.0 Benefits for former personnel	11,026	0	11,026
21.0 Travel and transportation of persons	18,710	215	18,925
22.0 Transportation of things	7,963	1,238	9,201
23.1 Rental payments to GSA	52,348		52,348
23.2 Rental payments to others	9,320	531	9,851
23.3 Communications, utilities and miscellaneous charges	29,828	0	29,828
24.0 Printing and reproduction	5,194	36	5,230
25.0 Other services	616,693	2,305	618,998
26.0 Supplies and materials	37,291	44	37,335
31.0 Equipment	44,638	63,396	108,034
32.0 Land and structures	1,816	0	1,816
41.0 Grants, subsidies, and contributions	200,486	5,000	205,486
42.0 Insurance claims and indemnities	14	0	14
43.0 Interest and dividends	1	0	1
Total obligations	1,689,261	81,000	1,770,261
Less: Recovery of prior year obligations	(11,800)	0	(11,800)
Obligations from prior years	(72,214)	0	(72,214)
Total Budget Authority	1,605,247	81,000	1,686,247

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
11	Personnel Compensation			
11.1	Full-time Permanent			
	Executive level	376	0	376
	Senior Executive Service	8,973	0	8,973
	General Schedule	466,305	3,453	469,758
	Commissioned officers	21,484	0	21,484
	Wage board/wage marine	12,842	0	12,842
	Scientific & professional (P.L. 80-313)	528	0	528
	Students			
	Subtotal	510,508	3,453	513,961
11.3	Other than full-time			
	General Schedule	11,201	0	11,201
	Wage board/Wage marine	1,370	0	1,370
	Consultants, experts	42	0	42
	Hourly			
	Subtotal	12,613	0	12,613
11.5	Other personnel compensation			
	Overtime	14,323	208	14,531
	Cash awards	4,521	0	4,521
	Other	5,856	0	5,856
	Subtotal	24,700	208	24,908

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
11.8	Special personnel service payments			
	Foreign service officers (State)	0	0	0
	Other	0	0	0
	Subtotal	0	0	0
11.9	Total personnel compensation	547,821	3,661	551,482
12.1	Civilian personnel benefits			
	Civil service retirement	21,171	173	21,344
	Federal Employees' retirement	22,407	206	22,613
	Medicare	5,163	43	5,206
	Thrift savings plan	4,195	37	4,232
	Federal Insurance contribution act	6,880	67	6,947
	Health insurance	23,709	207	23,916
	Life insurance	870	7	877
	Overseas allowance (COLA)	5,158		5,158
	Employees comp fund (bec)	3,127	23	3,150
	Relocation, PCS Moves (MARDI)		3,709	3,709
	Other	13,432	102	13,534
	Subtotal	106,112	4,574	110,686
13.0	Benefits for former personnel			
	Retired Pay	6,908	0	6,908
	Health benefits	146	0	146
	Other	3,972	0	3,972
	Subtotal	11,026	0	11,026

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
21	Travel and transportation of persons			
	Aircraft rental	38	0	38
	GSA vehicle	504	0	504
	Administrative travel	4,614	0	4,614
	Program travel	13,554	215	13,769
	Subtotal	18,710	215	18,925
22	Transportation of things			
	Trans of household goods (MARDI)	3,638	1,238	4,876
	GSA trucks	1,122	0	1,122
	Other	3,203	0	3,203
	Subtotal	7,963	1,238	9,201
23.1	Rental payments to GSA	52,348	0	52,348
23.2	Rental payments to others (MARDI)	9,320	531	9,851
23.3	Communications, utilities and miscellaneous charges			
	Utility services	311	0	311
	Aircraft charter	42	0	42
	Vessel charter	486	0	486
	Rental of office copying equipment	237	0	237
	Rental of ADP equipment	7,206	0	7,206
	Federal telecommunications systems	2,338	0	2,338
	Other telecommunications services	761	0	761
	Postal services by USPS	2,104	0	2,104
	Other	16,343	0	16,343

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
	Subtotal	29,828	0	29,828
24	Printing and reproduction			
	Publications	2,424	36	2,460
	Public use forms	0	0	0
	Envelopes	0	0	0
	Other	2,770	0	2,770
	Subtotal	5,194	36	5,230
25	Other services			
	Aircraft repair	3,795	0	3,795
	Vessel repair	10,443	0	10,443
	Contracts for research	27,396	0	27,396
	Maintenance of equipment	6,435	2,305	8,740
	Training:			
	University training	786		786
	CS commission training	143		143
	Other	3,704		3,704
	Substation observers	1,168		1,168
	Other Federal Agencies	397,293		397,293
	Contracts for consulting service	261		261
	GSA alterations	538	0	538
	Working capital fund	1,405	0	1,405
	Other	163,326	0	163,326
	Subtotal	616,693	2,305	618,998

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
26	Supplies and materials			
	Chart paper	1,453	0	1,453
	Met. upper air	4,366	0	4,366
	Maintenance of vessel	1,210	0	1,210
	Gases	749	0	749
	Fuel	4,134	0	4,134
	ADP supplies	2,451	44	2,495
	Other	22,928	0	22,928
	Subtotal	37,291	44	37,335
31	Equipment			
	Office machines and equipment	1,029	198	1,227
	ADP hardware	1,504	48,048	49,552
	Other capitalized	30,311	15,150	45,461
	Non–capitalized	11,794	0	11,794
	Subtotal	44,638	63,396	108,034
32	Lands and structures	1,816		1,816
33	Investments and loans	0	0	0
41	Grants, subsidies and contributions	200,486	5,000	205,486
42	Insurance claims and indemnities	14	0	14
43	Interest/dividends	1	0	1
44	Refunds	0	0	0
99	Subtotal, Direct Obligations	1,689,261	81,000	1,770,261
	Reimbursable Obligations	369,081	0	369,081
	TOTAL OBLIGATIONS	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Programing and Financing (in thousands of dollars)

Identification code: 13-1450-1-1-306		1993 actual	1993 estimate	1993 estimate
Program by activities:		Presently Available	Proposed Supplemental	Revised Estimate
	Direct program			
00.01	National Ocean Service	184,272	0	184,272
00.02	National Marine Fisheries Service	238,081	9,000	247,081
00.03	Oceanic and Atmospheric Research	207,667	36,000	243,667
00.04	National Weather Service	553,798	21,000	574,798
00.05	National Environmental Satellite, Data and Information Service	358,122	15,000	373,122
00.06	Program Support	147,321	0	147,321
00.91	Total direct program	1,689,261	81,000	1,770,261
01.91	Reimbursable program	369,081	0	369,081
10.00	Total obligations	2,058,342	81,000	2,139,342
	Financing:			
17.00	Recovery of prior year obigations	(11,800)		(11,800)
21.40	Unobligated balance available, start of year	(72,214)		(72,214)
24.40	Unobligated balance available, end of year	....		0
39.00	Budget authority (gross)	1,974,328	81,000	2,055,328
	Budget authority:			
	Current:			
40.00	Appropriation	1,526,516	81,000	1,607,516
42.00	Transferred from other accounts	61,225		61,225
43.00	Appropriation (total)	1,587,741	81,000	1,668,741
	Permanent:			
62.00	Transferred from other accounts	17,506		17,506
68.00	Spending authority from offsetting collections (new)	369,081		0 369,081
	Relation of obligations to outlays:			
71.00	Total obligations	2,058,342	81,000	2,139,342
72.40	Obligated balance, start of year	892,275		892,275
74.40	Obligated balance, end of year	(959,217)	(13,770)	(972,987)
78.00	Adjustments in unexpired accounts	(11,800)	0	(11,800)
87.00	Outlays (gross)	1,979,600	67,230	2,046,830
	Adjustments to budget authority and outlays:			
	Deductions for offsetting collections:			
88.00	Federal funds	(332,128)		(332,128)
88.30	Trust funds	0		0
88.40	Non-Federal sources	(36,953)		(36,953)
88.90	Total, offsetting collections	(369,081)	0	(369,081)
89.00	Budget authority (net)	1,605,247	81,000	1,686,247
90.00	Outlays (net)	1,610,519	67,230	1,677,749

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Object Classification (in thousands of dollars)

Identification code: 13-1450-1-1-306		1993 actual	1993 estimate	1993 estimate
	Direct obligations:	Presently Available	Proposed Supplemental	Revised Estimate
	Personnel compensation:			
11.1	Full-time permanent	510,508	3,453	513,961
11.3	Other than full-time permanent	12,613		12,613
11.5	Other personnel compensation	24,700	208	24,908
11.9	Total personnel compensation	547,821	3,661	551,482
12.1	Civilian personnel benefits	106,112	4,574	110,686
13.0	Benefits for former personnel	11,026		11,026
21.0	Travel and transportation of persons	18,710	215	18,925
22.0	Transportation of things	7,963	1,238	9,201
23.1	Rental payments to GSA	52,348		52,348
23.2	Rental payments to others	9,320	531	9,851
23.3	Communications, utilities and miscellaneous charges	29,828		29,828
24.0	Printing and reproduction	5,194	36	5,230
25.0	Other services	616,693	2,305	618,998
26.0	Supplies and materials	37,291	44	37,335
31.0	Equipment	44,638	63,396	108,034
32.0	Land and structures	1,816		1,816
41.0	Grants, subsidies, and contributions	200,486	5,000	205,486
42.0	Insurance claims and indemnities	14		14
43.0	Interest and dividends	1		1
99.0	Subtotal, direct obligations	1,689,261	81,000	1,770,261
99.0	Reimbursable obligations	369,081	0	369,081
99.9	Total obligations	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Personnel Summary

Identification code: 13-1450-1-1-306	1993 Presently Avail	1993 Proposed Suppl	1993 Revised Est
Direct: Total compensable workyears:			
Full-time equivalent employment	11,466	80	11,546
Full-time equivalent of overtime and holiday hours	396		396
Reimbursable: Total compensable workyears:			0
Full-time equivalent employment	1,265		1,265
Full-time equivalent of overtime and holiday hours	42		42

Ms. **Josephson**. I am Diana Josephson, the Deputy Under Secretary for Oceans and Atmosphere in the Department of Commerce. We have three requests:

First, we are seeking $43 million to upgrade our computer processing capabilities.

Second, $17 million to purchase environmental monitoring and next-generation equipment.

Third, $21 million to expedite the modernization of the National Weather Service.

We expect the money to outlay at the rate of 83 percent in the first year, so we expect that this will directly result in stimulus opportunities in the economy. We were able to do this so quickly, because as far as equipment purchases are concerned, which is most of our request, these funds will go through contractual vehicles that are already in place or in the final stage of award; either 8-A or off-the-shelf purchases from the GSA schedule. These purchases will stimulate high-technology industries and reduce their inventory of goods, thereby encouraging reorder and new production.

We will be happy to answer any questions.

[The prepared statement of Ms. Josephson follows:]

Statement by the Deputy Under Secretary
for Oceans and Atmosphere
U.S. Department of Commerce
Diana H. Josephson
Before the House Appropriations
Subcommittee on Commerce,
Justice, State and Judiciary
February 23, 1993

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you today in support of the President's FY 1993 Economic Stimulus Supplemental. Accompanying me is Andrew Moxam, NOAA's Comptroller. The proposal which we have submitted will not only contribute significantly to economic stimulus, including job creation, but will also strengthen the services NOAA provides to the nation--services which support the efficiency and productivity of our economy.

NOAA is pleased to be able to participate in and support the President's goals of rebuilding the Nation's technological and physical infrastructure and providing immediate economic stimulation to hard-pressed areas of the economy.

Overall, we are seeking $81 million to support three major efforts:

First: $43 million to upgrade our computer processing capabilities. These upgrades are essential to NOAA's ability to provide high quality forecasts and predictions which are used by agriculture, construction and transportation industry

Second: $17 million to purchase environmental monitoring and next generation equipment to enable us to better measure and improve environmental forecasts used by government and the private sector.

Third: $21 million to expedite the modernization of the National Weather Service. Implementation of the weather service modernization is projected to produce $44 billion in benefits. The ability to better forecast the onset of severe storms and tornados is self evident and important to the reduction in loss of life and property.

These investments will directly result in the creation of stimulus opportunities in the economy. We expect the money to outlay at an 83 percent rate in the first year.

Expeditious outlay for equipment purchase is available for all of the funds through contractual vehicles already in place or in the final stages of being awarded with 8-A and other contractors and grantees like the University of Colorado, and through off-the-shelf purchases from the General Services Administration schedule. These purchases will stimulate high-technology industries and reduce the inventory of goods, thereby encouraging reorder and new production.

Mr Chairman, thank you for giving me the opportunity to present NOAA's support for the President's Economic Stimulus Package. I will be happy to answer any questions the Subcommittee may have.

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Supplemental Budget Request
Fiscal Year 1993

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Congressional Submission
February 23, 1993

APPROPRIATION SUMMARY STATEMENT
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
DEPARTMENT OF COMMERCE

Operations, Research, and Facilities
Supplemental Budget Request
Fiscal Year 1993

Appropriation

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APPROPRIATION LANGUAGE SHEET
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
DEPARTMENT OF COMMERCE

Operations, Research, and Facilities
Supplemental Budget Request
Fiscal Year 1993

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Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research and Facilities
Summary of Resource Requirements
(Dollar amounts in thousands)

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National Ocean Service	184,272	0	184,272
National Marine Fisheries Service	238,081	9,000	247,081
Oceanic and Atmospheric Research	207,667	36,000	243,667
National Weather Service	553,798	21,000	574,798
National Environmental Satellite, Data and Information Service	358,122	15,000	373,122
Program Support	147,321	0	147,321
Total direct program, NOAA	1,689,261	81,000	1,770,261
Reimbursable program, NOAA	369,081	0	369,081
Total obligations	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities
Supplemental Personnel Data

Activity: National Weather Service
Subactivity: Operations and Research
Program Change: NWS Transition (MARDI)

Title:	Grade	Number	Salary	Total Salaries
Meteorlogist	GM-14	28	$54,612	$1,529,136
Hydrologist	GM-14	6	$54,612	$327,672
Meteorlogist	GM-13	32	$46,212	$1,478,784
Hydrologist	GM-13	(4)	$46,212	($184,848)
Electrical Engineer	GM-13	(1)	$46,212	($46,212)
Meteorological Technician	GS-12	12	$38,856	$466,272
Meteorlogist	GS-12	46	$38,856	$1,787,376
Hydrologist	GS-12	3	$38,856	$116,568
Electronics Technician	GS-12	(4)	$38,856	($155,424)
Meteorological Technician	GS-11	40	$32,424	$1,296,960
Electronics Technician	GS-11	1	$32,424	$32,424
Meteorological Technician	GS-10	(54)	$29,520	($1,594,080)
Electronics Technician	GS-10	(3)	$29,520	($88,560)
Meteorological Technician	GS-9	17	$26,796	$455,532
Electronics Technician	GS-9	(2)	$26,796	($53,592)
Meteorological Technician	GS-8	(2)	$24,264	($48,528)
Meteorological Technician	GS-7	(2)	$21,912	($43,824)
Program Analyst	GS-7	1	$21,912	$21,912
Clerical	GS-6	5	$19,716	$98,580
Clerical	GS-4	(1)	$15,804	($15,804)
Total		118		$5,380,344
Less Lapse	38.11%	(38)		($2,050,405)
Total FY 1993 FTE		80		$3,329,939
FY 1993 Pay Adjustment (3.7%)				$123,208
TOTAL				$3,453,147

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research and Facilities
Summary of Requirements by Object Class
(Dollar Amounts in Thousands)

Object Class	Presently Available 1993	Proposed Supplemental 1993	Revised Estimate 1993
11 Personnel compensation:			
11.1 Full–time permanent	510,508	3,453	513,961
11.3 Other than full–time permanent	12,613	0	12,613
11.5 Other personnel compensation	24,700	208	24,908
11.9	547,821	3,661	551,482
12.1 Civilian personnel benefits	106,112	4,574	110,686
13.0 Benefits for former personnel	11,026	0	11,026
21.0 Travel and transportation of persons	18,710	215	18,925
22.0 Transportation of things	7,963	1,238	9,201
23.1 Rental payments to GSA	52,348		52,348
23.2 Rental payments to others	9,320	531	9,851
23.3 Communications, utilities and miscellaneous charges	29,828	0	29,828
24.0 Printing and reproduction	5,194	36	5,230
25.0 Other services	616,693	2,305	618,998
26.0 Supplies and materials	37,291	44	37,335
31.0 Equipment	44,638	63,396	108,034
32.0 Land and structures	1,816	0	1,816
41.0 Grants, subsidies, and contributions	200,486	5,000	205,486
42.0 Insurance claims and indemnities	14	0	14
43.0 Interest and dividends	1	0	1
Total obligations	1,689,261	81,000	1,770,261
Less: Recovery of prior year obligations	(11,800)	0	(11,800)
Obligations from prior years	(72,214)	0	(72,214)
Total Budget Authority	1,605,247	81,000	1,686,247

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
11	Personnel Compensation			
11.1	Full–time Permanent			
	Executive level	376	0	376
	Senior Executive Service	8,973	0	8,973
	General Schedule	466,305	3,453	469,758
	Commissioned officers	21,484	0	21,484
	Wage board/wage marine	12,842	0	12,842
	Scientific & professional (P.L. 80–313)	528	0	528
	Students			
	Subtotal	510,508	3,453	513,961
11.3	Other than full–time			
	General Schedule	11,201	0	11,201
	Wage board/Wage marine	1,370	0	1,370
	Consultants, experts	42	0	42
	Hourly			
	Subtotal	12,613	0	12,613
11.5	Other personnel compensation			
	Overtime	14,323	208	14,531
	Cash awards	4,521	0	4,521
	Other	5,856	0	5,856
	Subtotal	24,700	208	24,908

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
11.8	Special personnel service payments			
	Foreign service officers (State)	0	0	0
	Other	0	0	0
	Subtotal	0	0	0
11.9	Total personnel compensation	547,821	3,661	551,482
12.1	Civilian personnel benefits			
	Civil service retirement	21,171	173	21,344
	Federal Employees' retirement	22,407	206	22,613
	Medicare	5,163	43	5,206
	Thrift savings plan	4,195	37	4,232
	Federal Insurance contribution act	6,880	67	6,947
	Health insurance	23,709	207	23,916
	Life insurance	870	7	877
	Overseas allowance (COLA)	5,158		5,158
	Employees comp fund (bec)	3,127	23	3,150
	Relocation, PCS Moves (MARDI)		3,709	3,709
	Other	13,432	102	13,534
	Subtotal	106,112	4,574	110,686
13.0	Benefits for former personnel			
	Retired Pay	6,908	0	6,908
	Health benefits	146	0	146
	Other	3,972	0	3,972
	Subtotal	11,026	0	11,026

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
21	Travel and transportation of persons			
	Aircraft rental	38	0	38
	GSA vehicle	504	0	504
	Administrative travel	4,614	0	4,614
	Program travel	13,554	215	13,769
	Subtotal	18,710	215	18,925
22	Transportation of things			
	Trans of household goods (MARDI)	3,638	1,238	4,876
	GSA trucks	1,122	0	1,122
	Other	3,203	0	3,203
	Subtotal	7,963	1,238	9,201
23.1	Rental payments to GSA	52,348	0	52,348
23.2	Rental payments to others (MARDI)	9,320	531	9,851
23.3	Communications, utilities and miscellaneous charges			
	Utility services	311	0	311
	Aircraft charter	42	0	42
	Vessel charter	486	0	486
	Rental of office copying equipment	237	0	237
	Rental of ADP equipment	7,206	0	7,206
	Federal telecommunications systems	2,338	0	2,338
	Other telecommunications services	761	0	761
	Postal services by USPS	2,104	0	2,104
	Other	16,343	0	16,343

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
	Subtotal	29,828	0	29,828
24	Printing and reproduction			
	Publications	2,424	36	2,460
	Public use forms	0	0	0
	Envelopes	0	0	0
	Other	2,770	0	2,770
	Subtotal	5,194	36	5,230
25	Other services			
	Aircraft repair	3,795	0	3,795
	Vessel repair	10,443	0	10,443
	Contracts for research	27,396	0	27,396
	Maintenance of equipment	6,435	2,305	8,740
	Training:			
	University training	786		786
	CS commission training	143		143
	Other	3,704		3,704
	Substation observers	1,168		1,168
	Other Federal Agencies	397,293		397,293
	Contracts for consulting service	261		261
	GSA alterations	538	0	538
	Working capital fund	1,405	0	1,405
	Other	163,326	0	163,326
	Subtotal	616,693	2,305	618,998

Department of Commerce
National Oceanic and Atmospheric Administration
Operations, Research, and Facilities
DETAILED REQUIREMENTS BY OBJECT CLASS

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimated
26	Supplies and materials			
	Chart paper	1,453	0	1,453
	Met. upper air	4,366	0	4,366
	Maintenance of vessel	1,210	0	1,210
	Gases	749	0	749
	Fuel	4,134	0	4,134
	ADP supplies	2,451	44	2,495
	Other	22,928	0	22,928
	Subtotal	37,291	44	37,335
31	Equipment			
	Office machines and equipment	1,029	198	1,227
	ADP hardware	1,504	48,048	49,552
	Other capitalized	30,311	15,150	45,461
	Non–capitalized	11,794	0	11,794
	Subtotal	44,638	63,396	108,034
32	Lands and structures	1,816		1,816
33	Investments and loans	0	0	0
41	Grants, subsidies and contributions	200,486	5,000	205,486
42	Insurance claims and indemnities	14	0	14
43	Interest/dividends	1	0	1
44	Refunds	0	0	0
99	Subtotal, Direct Obligations	1,689,261	81,000	1,770,261
	Reimbursable Obligations	369,081	0	369,081
	TOTAL OBLIGATIONS	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Programing and Financing (in thousands of dollars)

Identification code: 13–1450–1–1–306		1993 actual	1993 estimate	1993 estimate
	Program by activities:	Presently Available	Proposed Supplemental	Revised Estimate
	Direct program			
00.01	National Ocean Service	184,272	0	184,272
00.02	National Marine Fisheries Service	238,081	9,000	247,081
00.03	Oceanic and Atmospheric Research	207,667	36,000	243,667
00.04	National Weather Service	553,798	21,000	574,798
00.05	National Environmental Satellite, Data and Information Service	358,122	15,000	373,122
00.06	Program Support	147,321	0	147,321
00.91	Total direct program	1,689,261	81,000	1,770,261
01.91	Reimbursable program	369,081	0	369,081
10.00	Total obligations	2,058,342	81,000	2,139,342
	Financing:			
17.00	Recovery of prior year obigations	(11,800)		(11,800)
21.40	Unobligated balance available, start of year	(72,214)		(72,214)
24.40	Unobligated balance available, end of year	....		0
39.00	Budget authority (gross)	1,974,328	81,000	2,055,328
	Budget authority:			
	Current:			
40.00	Appropriation	1,526,516	81,000	1,607,516
42.00	Transferred from other accounts	61,225		61,225
43.00	Appropriation (total)	1,587,741	81,000	1,668,741
	Permanent:			
62.00	Transferred from other accounts	17,506		17,506
68.00	Spending authority from offsetting collections (new)	369,081		0 369,081
	Relation of obligations to outlays:			
71.00	Total obligations	2,058,342	81,000	2,139,342
72.40	Obligated balance, start of year	892,275		892,275
74.40	Obligated balance, end of year	(959,217)	(13,770)	(972,987)
78.00	Adjustments in unexpired accounts	(11,800)	0	(11,800)
87.00	Outlays (gross)	1,979,600	67,230	2,046,830
	Adjustments to budget authority and outlays:			
	Deductions for offsetting collections:			
88.00	Federal funds	(332,128)		(332,128)
88.30	Trust funds	0		0
88.40	Non–Federal sources	(36,953)		(36,953)
88.90	Total, offsetting collections	(369,081)	0	(369,081)
89.00	Budget authority (net)	1,605,247	81,000	1,686,247
90.00	Outlays (net)	1,610,519	67,230	1,677,749

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Object Classification (in thousands of dollars)

Identification code: 13-1450-1-1-306		1993 actual	1993 estimate	1993 estimate
	Direct obligations:	Presently Available	Proposed Supplemental	Revised Estimate
	Personnel compensation:			
11.1	Full-time permanent	510,508	3,453	513,961
11.3	Other than full-time permanent	12,613		12,613
11.5	Other personnel compensation	24,700	208	24,908
11.9	Total personnel compensation	547,821	3,661	551,482
12.1	Civilian personnel benefits	106,112	4,574	110,686
13.0	Benefits for former personnel	11,026		11,026
21.0	Travel and transportation of persons	18,710	215	18,925
22.0	Transportation of things	7,963	1,238	9,201
23.1	Rental payments to GSA	52,348		52,348
23.2	Rental payments to others	9,320	531	9,851
23.3	Communications, utilities and miscellaneous charges	29,828		29,828
24.0	Printing and reproduction	5,194	36	5,230
25.0	Other services	616,693	2,305	618,998
26.0	Supplies and materials	37,291	44	37,335
31.0	Equipment	44,638	63,396	108,034
32.0	Land and structures	1,816		1,816
41.0	Grants, subsidies, and contributions	200,486	5,000	205,486
42.0	Insurance claims and indemnities	14		14
43.0	Interest and dividends	1		1
99.0	Subtotal, direct obligations	1,689,261	81,000	1,770,261
99.0	Reimbursable obligations	369,081	0	369,081
99.9	Total obligations	2,058,342	81,000	2,139,342

DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
Operations, Research and Facilities

Personnel Summary

Identification code: 13–1450–1–1–306	1993 Presently Avail	1993 Proposed Suppl	1993 Revised Est
Direct: Total compensable workyears:			
Full–time equivalent employment	11,466	80	11,546
Full–time equivalent of overtime and holiday hours	396		396
Reimbursable: Total compensable workyears:			0
Full–time equivalent employment	1,265		1,265
Full–time equivalent of overtime and holiday hours	42		42

OUTLAY RATE

Mr. SMITH of Iowa. Did I hear you say that you will outlay 83 percent by October 1st?

Ms. JOSEPHSON. The first year, yes.

Mr. SMITH of Iowa. Is that right?

Ms. JOSEPHSON. We have—we are submitting the contract numbers to you.

Mr. SMITH of Iowa. Those are outlays, not obligations?

Ms. JOSEPHSON. These are outlays.

ADVANCED TECHNOLOGY PROGRAM

Mr. SMITH of Iowa. Dr. Lyons, I want to use my time to ask you a few questions about ATP. You are using $30 million for the current round of competition. How much is currently budgeted for this round?

Mr. LYONS. The current 1993 total is $68 million. However, much of that is for prior-year awards, for second, third year funding, so $20 million is new money for this year.

Mr. SMITH of Iowa. How many new awards will be made?

Mr. LYONS. About 20 awards and about $20 million.

Mr. SMITH of Iowa. Will additional money be needed in 1994 for these new awards?

Mr. LYONS. Yes. Normally there is a second, third year. In some cases, they go as high as five years. We have to keep building that into the budget.

Mr. SMITH of Iowa. When will the solicitation go out for these awards?

Mr. LYONS. Solicitation is out. In fact, the awards are due in a matter of days.

Mr. SMITH of Iowa. Will there be a second round?

Mr. LYONS. We will announce another round as soon as we can get the notice out. We will be working two rounds at the same time.

Mr. SMITH of Iowa. How many awards will there be in that round?

Mr. LYONS. I think in that round we expect 35 to 40 awards. We have $38 million set aside for that from this supplemental.

Mr. SMITH of Iowa. Now, with regard to Manufacturing Technology Centers, we now have seven of them?

Mr. LYONS. That is correct.

Mr. SMITH of Iowa. You are asking for $20 million in this package for technology transfer. Is that for new MTCs or is that for increasing the existing ones?

Mr. LYONS. Neither. The $20 million that we are asking for is part of the ATP money, and we will build test beds for demonstrating technology, but not in State facilities—rather in industrial facilities, typically.

Mr. SMITH of Iowa. So this request does not affect the seven centers?

Mr. LYONS. No, it does not.

Mr. SMITH of Iowa. Okay.

Mr. Rogers?

Mr. ROGERS. Thank you, Mr. Chairman.

Ladies and gentlemen, welcome.

Dr. Lyons, let me finish the line of questioning that the Chairman started. Now, ATP was fully funded at the administration's request in fiscal 1993, as I understand?

Mr. LYONS. Yes, that is correct.

Mr. ROGERS. And that was an increase over 1992?

Mr. LYONS. Yes.

Mr. ROGERS. Substantially?

Mr. LYONS. Yes.

Mr. ROGERS. In fact, it was a 43-percent increase that you got for the current fiscal year over last year?

Mr. LYONS. I don't recall the percentage numbers.

My colleagues agree.

Mr. ROGERS. Now, you are requesting another $103 million, which is a 152-percent increase over your current funding level, a 261-percent increase over last year's level; is that correct?

Mr. LYONS. Yes.

Mr. ROGERS. Can you get the money out there without a bunch of us slugging over it and wasting it in this short span of time?

Mr. LYONS. Yes, it has been a question that has been requested of us ever since late last summer: how much more work would you do in both the ATP program and some of the new efforts that have been started at NIST since 1988. We suggested that we could do more in the ATP program and we have learned the lessons.

We were fortunate that in midwinter we are in the midst of a competition. We can simply make more awards with that competition without anymore paperwork. There won't be any delay, and we will quickly come along with the fifth award.

In fact, we believe that we are going to obligate $53 million of this $103 million. The outlays, of course, are delayed because we pay quarterly to the recipients over periods of three to five years. But we will get obligated about half that money, and the balance early in the fall.

Mr. ROGERS. By October 1, you are saying?

Mr. LYONS. Yes. We will obligate $53 million, and our view, as Secretary Brown said, was this allows us to move up this process by eight months from what it would be without the supplemental. It is a kind of a kick start.

I would also say to you that this program is really more in the nature of a long-term investment even though we are obligating the money for research jobs in the short term. In the long term, the effects of this is going to be much greater on job creation down the line. So in that sense, it is truly an investment program in our technical future.

Mr. ROGERS. That is not an emergency, it is an investment in the long term.

Mr. LYONS. I think the emergency comes in that eight-months offset that we will get by starting now, and that will come in technical jobs and industry.

Mr. ROGERS. How many of those jobs that would be created by this will be government jobs, as opposed to private sector jobs?

Mr. LYONS. In our supplemental, the government jobs would come in our laboratory for the $14 million that is listed here for the so-called information highway activity and related activities. The $103 million goes almost entirely out to industry for R&D jobs.

Mr. ROGERS. Now, you say that this supplemental, this emergency spending request, will allow for you to move into a longer-term investment scenario. Are you prepared to tell us what that long term strategy is today, or are we to take it on faith that this $103 million in emergency spending is for a long-term program?

Mr. LYONS. The nature of the ATP program, of course, is that industry makes the proposals. We don't solicit specific proposals, so I can't tell you how they will go in the future, but we can supply you with how it has gone in the first three rounds, and very shortly will be able to show you in the fourth round.

In general, they are awards for ideas in what has been called in this city mostly "critical technologies,"—things like electronics, biotechnology, advanced manufacturing and robotics, and so on.

The track record of these first three rounds of winners is so good that we are beginning to see evidence already of business creation and job creation even though it is only three or four years into the process. We can supply you with more of that, Mr. Rogers, if you like.

Mr. ROGERS. Thank you.

INFORMATION INFRASTRUCTURE

Secretary Sugrue, how much of your $64 million request will be used to fund the base broadcasting programs, and how much for constructing new infrastructure?

Mr. SUGRUE. The $64 million would be used for the infrastructure projects. We still have the base program of about $21 million, which is available for the traditional PTFP purposes, which are principally public broadcasting.

Mr. ROGERS. So all of it would be used for new infrastructure?

Mr. SUGRUE. Of the supplemental amount, that is right.

Mr. ROGERS. How much of that can you outlay in this fiscal year 1993?

Mr. SUGRUE. Well, OMB has estimated we would do about $38 million by the end of the year. We have our own internal schedule. We hope to do better than that in obligating the whole amount of $64 million by the end of this fiscal year, and we have developed a schedule to get us to there, but OMB wanted to be more conservative about that. Outlay is another matter. Once a grant is given, the recipient can draw down on it and that process will start late in the summer. By the end of this fiscal year, there won't be a significant amount of outlays. But into the fall for our program, getting started makes a big difference in even the first quarter of fiscal year 1994.

Mr. ROGERS. You are only going to outlay $3 million of the $64 million; is that right?

Mr. SUGRUE. That is the current estimate.

Mr. ROGERS. How can you justify that as an emergency?

Mr. SUGRUE. Well, again, as to whether this program itself would create jobs this summer, you know, I can't say that because this amount won't be spent in that fashion. However, it will create jobs.

We will get this money obligated by the end of the fiscal year, very nearly the next fiscal year.

These jobs will be created, and again, it will dovetail very nicely, I think, into a long-run investment program.

Mr. ROGERS. Now, according to your justifications, the entire $64 request will be used for information super highways, not basic public broadcasting. Is that a new program or new priority in the PTFP?

Mr. SUGRUE. We have, I believe it was in the late 1970s, Congress amended the authorizing legislation for PTFP to include such projects as educational and cultural purposes, and we have funded about 50-some projects over the last few years since that period.

We have put an increasing emphasis on it the last few years. Last year, I think we funded about $4 million out of our 20 for such projects, and the year before about $2 million.

It has still been the case, though, that about 80 percent of the PTFP funds have gone toward the traditional mission of supporting public broadcasting.

Mr. ROGERS. Well, again, you are only spending $3 million of this $64 in this current fiscal year. It won't be outlaid until 1994 and after. Again, how can we justify this as an emergency that justifies emergency spending today? I can't get that through my head.

Mr. SUGRUE. It is a program that creates jobs, as I said, in the short term, if one includes in the short term that we get into October, November, December.

We do intend, as I mentioned in my testimony, to include a fair amount for planning grants. Those are salaried expenses that people can be hired right away, can get expended right away, jobs would be created right away.

Those planning grants, by the way, also provide a basis then for going forward with a similar investment initiative in the future years.

Mr. ROGERS. Well, we see now the long-range initiative that you have just mentioned there. Can we see that now so we know whether it is wise to borrow this money and lay it out there today?

Mr. SUGRUE. That is a part of the President's budget program for 1994 and beyond. I guess when that is set up, it will certainly be laid out there. But it has been announced, the President has been talking about it and the Secretary has been talking about this initiative as supporting this type of program to build information infrastructure.

Mr. ROGERS. So for the moment, you are saying trust me, right?

Mr. SUGRUE. No. I think it will be there. This program can stand on its own two feet.

EMERGENCY DESIGNATION

Mr. ROGERS. I am asking you this. How can you justify to us today a $500 million program, the first installment of which is this quote, "emergency," $64 million. How can we know whether or not it is a wise idea when we haven't even seen the plan that you are talking about, which we are told will result in half-a-billion dollars in expenditures?

Mr. **Sugrue**. We have before us grant applications and we know of things going on in the States. For example, the State of Iowa, in which telecommunications educational applications could make very good use of these funds, and when we looked at this, we said, can we justify spending this money for those applications, is that a responsible thing to do? And we satisfied ourselves we could, regardless of what happens in the out-years.

It would be desirable, I think, if indeed Congress saw fit to adopt that program for the out-years, and it is part of the Clinton-Gore initiative. But if that did not happen for some reason, I think this program could stand on its own two feet, and it is an extension of what we have been doing all along, although admittedly at a higher level.

PTFP AUTHORIZATION

Mr. **Rogers**. Will you try to get a change in the authorization for PTFP this year to reflect this change in direction?

Mr. **Sugrue**. Yes, we will be looking to broaden the PTFP program. Either broaden or authorize a new program for infrastructure development. But PTFP is focused on educational applications and we would like to expand that to health care and other types of social services that telecommunications can be constructively used for.

Right now, education, among those sort of sets of social services, is probably the furthest along in terms of being able to use these funds constructively in telecommunications. There has been work in this area for quite awhile and they are at the point where they are ready to go. They are not quite as far along, but that will be something we will be looking toward.

WEATHER SERVICE MODERIZATION

Mr. **Rogers**. Now, Secretary Josephson, why do we need to accelerate the National Weather Service's modernization, and why should it be declared an emergency?

Ms. **Josephson**. I think the emergency is the state of the economy. It is not what we are going to do. We are trying to put money into the economy to stimulate a recovery.

In the case of the weather stations, what we are proposing to do is accelerate the staffing of the next radar-equipped weather stations which are already approved by the Congress. This resource would allow us to put 17 additional stations into commission during this fiscal year. This would create 118 jobs. They would be government jobs, but this would enable us to introduce the improvements that resulted from the NEXRAD system to 17 additional stations.

I am sure you have been briefed on the improvements—there has been a reduction in the false alarm rates because of Doppler radar introduction. There is also the benefit of improved safety for the U.S.—weather safety and the resultant impact on the economy.

EQUIPMENT PURCHASES

Mr. ROGERS. Part of the $81 million that you are requesting would go to accelerate repayments for existing equipment; wouldn't it?

Ms. JOSEPHSON. Repayments of existing equipment?

Mr. ROGERS. Yes.

Ms. JOSEPHSON. The current proposal is that some $8 million of that would go to prepayment of the super computer.

Mr. ROGERS. So, you are going to accelerate paying off the computer system.

Ms. JOSEPHSON. We are going to accelerate the paying of a computer system which will then enable us to move up the procurements of the Class 7 computer earlier in the next fiscal year.

Mr. ROGERS. I don't understand how paying off somebody earlier is going to create jobs; why that is an emergency?

Ms. JOSEPHSON. The prepayment will not create jobs, but prepaying this year will enable us to accelerate the procurement of the next-generation computer, which will generate jobs.

Mr. ROGERS. Why can't you go ahead and get the new one without paying off the old one?

Ms. JOSEPHSON. That is a good question. I don't know. We can look at that. I suspect that it isn't ready to be procured. Part of the drive for the selection of these items is payments that can be made in fiscal year 1993.

The plans for the procurement for the next super computer are scheduled for 1994, and I suspect the reason we didn't select that is they are not ready to be procured and, therefore, we couldn't do it in time. As I pointed out earlier, most of our items are existing contracts, so we can accelerate them.

Mr. ROGERS. I understand that, but again, I don't understand how this would create an additional job. Why is this an emergency justifying our breaching the budget act and borrowing the money to do it.

Ms. JOSEPHSON. As I said before, the emergency is the state of the economy, not the state of the weather service in the United States.

Mr. ROGERS. The question is, what impact does your proposal have to alleviate this so-called emergency?

Ms. JOSEPHSON. Yes, on the economy. It will accelerate the procurement of the next-generation computer which will then create jobs, and that will be in fiscal year 1994.

Mr. ROGERS. If you will furnish for the record some justification of why paying off an old contract will satisfy this emergency requirement, I would appreciate it.

Ms. JOSEPHSON. Yes, I will do that.

Mr. ROGERS. You plan on obligating all of the money in fiscal 1993; is that right?

Ms. JOSEPHSON. Yes, we do.

Mr. ROGERS. How much will be out laid in fiscal 1993?

Ms. JOSEPHSON. Eighty-three percent.

Mr. ROGERS. I am sorry.

Ms. JOSEPHSON. Eighty-three percent.

Mr. **Rogers**. Now, your request is for no-year money to be available until expended.

Ms. **Josephson**. I am told that the whole NOAA account is no-year, so our request is for no-year money as a result of that.

JOB CREATION

Mr. **Rogers**. Now, other than the additional 118 jobs for weather service employees, government employees, how many new jobs would be created in fiscal 1993 as a result of your request for $81 million?

Ms. **Josephson**. We estimate about 1,000 as a by-product of this investment.

Mr. **Rogers**. To the private sector?

Ms. **Josephson**. In the private sector.

Mr. **Rogers**. Do you have OMB numbers for the request I just asked you about?

Ms. **Josephson**. Yes, the OMB estimates a job for every $60,000 of expenditures.

Mr. **Rogers**. My understanding is that OMB estimated this request would only create 130 jobs.

Ms. **Josephson**. That is the direct impact. In other words, it will be 118 jobs created in the weather service, and there are a few other scattered jobs. But by putting this money in the economy, since it is buying equipment, creates jobs in the companies that are supplying it and the multiplier effect is a job for every $60,000 expenditure, which gets us to around a thousand.

Mr. **Rogers**. Thank you very much.

I think my time has expired.

INTERNET

Mr. **Carr**. Thank you, Mr. Chairman.

Mr. Sugrue, you heard my questions to the Secretary about INTERNET. I am really quite interested that we expanded INTERNET, the access to INTERNET, and I was hopeful that some of this money was going to begin working on that, like maybe grants to libraries, to be a public server for the INTERNET connection that people in a local area could access INTERNETs from their library. Are these things being talked about? You may know what I am looking for.

Tell me if we are—where any of this money is going to be going.

Mr. **Sugrue**. Mr. Carr, one of the applications pending for us, is one example, California, is a joint venture with the State university system and Pacific Bell to interconnect K through 12 schools with the California State University System, which in turn serves as a gateway to the INTERNET system.

As you know, there are different hierarchies the way you actually access and run that through, typically through a series of gateways. INTERNET heretofore has been pretty much the preserve of the universities, high-tech businesses, and so forth.

This program is looking toward bringing those types of interconnection to the common person, to the everyday person. Primarily through school systems initially, because that fits most closely about our current authorization, but in the long run, we would hope through other types of projects as well.

Libraries very well may qualify right now because educational and cultural institutions could probably reach a library interconnection. But that is the type of thing I think we would be looking at.

We are probably, with this program, not going to build ourselves a backbone national network. We are looking toward more building sort of the last mile from schools, and perhaps in the long run, hospitals, libraries, and so forth, into those national networks that exist out there, and again, INTERNET may be one example of that.

Mr. CARR. We have got an enormous amount of money invested in INTERNET. I hope we are not going to try and reinvent the wheel.

Mr. SUGRUE. Absolutely not. This is a complementary program.

Mr. CARR. There is even an issue now as to whether INTERNET ought to be privatized, you can say, in the limbo of the public and private sector that it is at now.

Mr. SUGRUE. Right.

Mr. CARR. I guess as—just as one, I would hope that if it is privatized, it is privatized only from the standpoint of management, not in terms of access, but—well, I look forward to working with you in trying to improve our telecommunications infrastructure.

Mr. ROGERS. Will the gentleman yield?

Mr. CARR. I would be glad to.

PEACESAT

Mr. ROGERS. I noticed in the justifications that funding for PTFP also supports the Pacific support education and cultural experience by satellite program, which I am told provides educational, medical and cultural telecommunications to the Pacific Island nations; is that correct?

Mr. SUGRUE. That is correct, yes.

Mr. ROGERS. So the money that you are requesting would at least partially go to further this program?

Mr. SUGRUE. PEACESAT right now has a dedicated——

Mr. CONNERS. It is an audio service. It is a truly, truly an audio service provided by NOAA, as used right now. But it is a separate system that is going to the United States territories as well as foreign countries.

Mr. SUGRUE. This is Dennis Conners, who is head of the PTFP program.

Mr. ROGERS. How can we call that a new funding?

Mr. SUGRUE. The PEACESAT program?

Mr. ROGERS. Yes.

Mr. SUGRUE. It wouldn't be. The PTFP has—that is an ongoing program. We have been involved in that for the last few years, probably will be in the future as well.

Mr. ROGERS. What I am driving at is monies requested here are to be used for PTFP.

Mr. SUGRUE. No.

Mr. ROGERS. Thank you.

OIL SPILL TECHNOLOGY

Mr. **Carr**. Ms. Josephson, I have a question for you, and it is—I apologize to my Chairman, it is not directly on this supplemental, but I might just throw it out there because I know you probably have some support staff in the room. Maybe we could have a further discussion.

A couple of weeks ago, I was briefed by some individuals at the Rosentiel School of Marine and Atmospheric Science at the University of Miami about a program that they have going right now which—and I wish I was looking through my papers to find the acronym for it, and I cannot find it, but the principle is that you use—the study that they are engaging in is using two rate hours, and then through some kind of computer digital enhancement they can actually display on a CRT the direction of velocity of the wave action. It has potential applications with respect to oil spills.

Also the thing that is neat about it is it is highly portable. You throw it in a truck and it can be used in the Great Lakes if there is going to be an emergency, et cetera. Rather than dwell on the device and technology and how it is being used, they are doing some research down there on its capability with other things. Quite frankly, this research is being funded out of the Transportation Appropriations Subcommittee, one which I chair, and in discussions I had with the folks at the University of Miami, it occurs to me that it may more appropriately be funded out of NOAA.

Right now it is being funded in the Transportation Appropriations Committee through the Coast Guard, which, although they have some primary responsibility in oil spill matters, it seems to me the effort is research oriented as opposed to application oriented and training. It really is a NOAA function.

So, I again apologize that I don't have that acronym to point your people at, but I saw some nodding heads back there. I think some people are aware of what has gone on there.

One final thing. It appears that among the oceanic and atmospheric research community that is nongovernmental, and the oceanic and atmospheric research that is being done by the Navy and then NOAA, it occurs to us that there might be some way in the future we can save money by rationalizing the fleets that are used for this activity. So I hope that by the time we meet again for the fiscal year 1994 appropriations, we will be able to talk about that.

Ms. **Josephson**. I appreciate that.

Mr. **Smith** of Iowa. Mr. Moran.

ADVANCED TECHNOLOGY PROGRAM

Mr. **Moran**. Thank you, Mr. Chairman.

Let's talk about the Advanced Technology Program for a moment, Mr. Lyons.

The Congress appropriated $68 million last year. How much of that money has been spent, how much is still available?

Mr. **Lyons**. $48 million, I believe, has been spent and the other 20 is now being considered in the competition that is open.

Mr. **Moran**. So you have $20 million additional available, and you are asking for $103 million?

Mr. **Lyons**. That is correct.

Mr. MORAN. A very substantial increase.

How many grants are pending? I am trying to get at how fast you are going to be able to get this out——

Mr. LYONS. We currently have just 60 active awards in place.

Mr. MORAN. Sixty, that is awards in place, though? Those have been awarded? Yes.

Do you know how many grants are pending that would be eligible for this $103 million?

Mr. LYONS. Well, the current competition that has, I suppose 300 or 400 proposed.

Mr. MORAN. 300 or 400 are pending?

Mr. LYONS. Although the window isn't closed; there is a couple more days before its closes. It should be in that order, and from that we should get awarded about one out of ten.

Mr. MORAN. You grant about one out of ten requests?

Mr. LYONS. Yes.

Mr. MORAN. So you have the requests pending if you have the money to fund them?

Mr. LYONS. That is correct, and we can fund more than that according to the figures that we have. We can add additional if we have good proposals, and we think looking at what we have coming in, that we are getting good proposals. We can give more than the amounts that we had originally estimated, and that amount is an additional 30 proposals that we think we will get out of the new money.

Mr. MORAN. This year, 30 out of—so we are talking about $3 million average per proposal?

Mr. LYONS. I think I am talking about a million per proposal. I am talking about the fourth competition which is now in progress and which we expect to add about $30 million or 30 awards. One for one is a good rule of thumb so far in the ATP. If we get the supplemental money, we can add to the current competition, perhaps, as many as 30 additional awards.

Mr. MORAN. So you will be putting out the $20 million you have available?

Mr. LYONS. That is correct.

Mr. MORAN. Plus you are talking about another 30, but your request is for 103.

Mr. LYONS. Then we will have a fifth competition which we will start as quickly as we can get the notice out and that we expect would pick up another 30 to 40 proposals.

Mr. MORAN. So they are all about a million dollars apiece?

Mr. LYONS. Yes.

Mr. MORAN. By the end of fiscal year 1994, how many ATP centers do you expect to have?

Mr. LYONS. By the end of 1994? I don't know what kind of money we will get for 1994.

Mr. MORAN. Assuming your request was granted, what is your plan?

Mr. LYONS. We currently have 60. I would expect we would have another 60; something in that order.

Mr. MORAN. So you would have about 20 advanced technology centers?

Mr. LYONS. They are not centers, just projects.

Mr. **Moran**. But if you are going to expand this dramatically, you would probably have to expand the number of ATP centers as well, wouldn't you?

Mr. **Lyons**. Definitely. Almost all of them would be at different companies. They are typically operated in company laboratories and they are almost always different, so we anticipate doubling the number of participants.

Mr. **Moran**. Of centers?

Mr. **Lyons**. Of entities, yes. These aren't centers now, they are just laboratory programs.

Mr. **Moran**. Well, I better read up more about it. It seems the coordinating bodies that are going to be disbursing these funds would have to be expanded as well since you envision such a dramatic expansion of the program itself. In other words, the structure that you are working through.

Mr. **Lyons**. Some of the ATP's are handled by consortia that have to be created.

Mr. **Moran**. You don't have any idea of how many additional consortia would have to be created to make it work?

Mr. **Lyons**. No. It just depends on the arbitrariness of the proposals. The single laboratories don't have those problems and we can get the funds appropriated and get them out much quicker.

ADDITIONAL STAFFING REQUIREMENTS

Mr. **Moran**. Will you plan on hiring any additional staff to handle this substantial increase?

Mr. **Lyons**. Yes. We have planned on 10 additional.

Mr. **Moran**. Ten new staff, okay.

Has there been any reduction in your area in terms of the 100,000 contemplated reduction in Federal employees?

Mr. **Lyons**. Not as yet. We will be presented with adjusted FTE ceilings, but we haven't seen that yet.

Mr. **Moran**. Well, I will go on to Mr. Sugrue, but in the 1994 request, I want to get more into that, particularly into the defense conversion relationship with these ATP centers.

INFORMATION INFRASTRUCTURE

Mr. **Moran**. You have been talking, Mr. Sugrue, and it is nice to see you, about the demonstration projects that would be part of the National Information Infrastructure initiative, National Information Infrastructure initiative.

Mr. **Sugrue**. It is a mouthful.

Mr. **Moran**. What sort of things are you going to be demonstrating? What do you have in mind that——

Mr. **Sugrue**. Well, demonstration projects can be useful for at least two purposes. One is technological demonstrations to show how the technology actually works, and the second is sort of an application demonstration or almost market demonstrations to see not whether technology works but how people use it for these applications.

We have funded in the past innovative uses of telecommunications technology with the opportunities to do more in the area of what I call Interact, I mean two-way broadband, a lot of information, a huge video and a mix of information. We hope to push the envelope a little bit further, particularly in education and then eventually in these other areas as well.

Government funded demonstration projects have a long history in the telecommunications area. The very first telecommunications technology was the telegraph, and Samuel Morris who invented that tried for many years to raise private capital, eventually convinced Congress to fund a demonstration project to move the telegraph from Washington up to Baltimore. They ran into a lot of trouble. It was clear why they didn't get private investors but eventually solved those, built that system, demonstrated that it worked. Morris was, I guess, an industrial policy guy in a big way. He went back to Congress and said now build a national system. Give me the money and the government alone will operate this infrastructure and Congress said, no, we have given you the funds for the demonstration, now you go and raise your money privately and, indeed, that started the Morris Telegraph Company, Western Union, so forth.

So maybe Congress in 1844 had been right as to the proper role of intervention between government and the private sector. I don't know whether we will fund something as dramatic a breakthrough as the telegraph, but we hope to, as I said, push the envelope for these areas.

PTFP PROGRAM

Mr. MORAN. Let's talk a bit about the Public Television Facilities program because you had $75 million requested and were only able to grant about $23 million, about a third of the amount pending grant requests, but now we are creating this new information superhighway. Are you going to be using some of the funds, if they were appropriated in this supplemental, to meet those pending requests, two-thirds of which were—that had to be denied because of inadequate funding for public television facilities?

Mr. SUGRUE. Right now there is a mix in the PTFP program of the traditional public broadcasting which builds antennas, buys cameras, does all that stuff and the so-called new infrastructure projects. Congress authorized and instructed us to put them together.

The supplemental would be looking more towards just the latter category. Now, that is, I think, actually good news for the public broadcasting system because working with a pie going $20 million, the competition for those funds is getting fiercer and fiercer each year as we go along and the decisions harder and harder.

With the supplemental request, I think we would anticipate that we have an easier time of funding the worthy public broadcasting applicants as well.

Mr. MORAN. Are you going to make sure that they are fully compatible, that everything you do in this information superhighway is compatible with the public television information network that you have created?

Mr. SUGRUE. Absolutely. That is part of our telecommunications infrastructure. It would be silly to throw it away. You mentioned the Telestar Satellite project. Traditionally a lot of educational applications have used satellite-based technology because it is a so-called point to multi-point system where you can reach a lot of diverse sites with distance learning. For example, while what has happened in the fiber optics area is exciting and we want to fund some of those projects, we are not about to abandon tried and true proven satellite technology.

With digital compression, it is what PBS is doing, you can get more and more channels out of there, higher resolution and a degree of interactivity even through a satellite system.

Mr. MORAN. Okay, fine. Won't take up any more time. I am not going to ask questions about NOAA because I have to say, I was less than convinced of the urgency of the funding for NOAA. I thought you did a good job of presenting it. The problem is that in terms of the ability to stimulate this economy, the information might not—or the requests might not be compelling, but I will turn it over to the Chairman, unless you have anything further you want to add.

Ms. JOSEPHSON. We are going to spend 83 percent by the end of the fiscal year, which should stimulate the economy.

Mr. MORAN. I could spend 83 percent on my Federal employees' salaries and that would stimulate the economy too and it wouldn't require any start-up time, but thank you, Ms. Josephson. Mr. Chairman.

Mr. SMITH of Iowa. Thank you. I thank all of you.

Next, we will have all the other witnesses, EDA, MBDA, SBA, and EEOC.

TUESDAY, FEBRUARY 23, 1993.

U.S. DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION AND MINORITY BUSINESS DEVELOPMENT AGENCY

U.S. SMALL BUSINESS ADMINISTRATION

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

WITNESSES

CRAIG SMITH, ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT

LORETTA YOUNG, ACTING DIRECTOR OF THE MINORITY BUSINESS DEVELOPMENT AGENCY, DEPARTMENT OF COMMERCE

LAWRENCE R. ROSENBAUM, SBA COMPTROLLER

CHARLES R. HERTZBERG, ASSISTANT ADMINISTRATOR FOR FINANCIAL ASSISTANCE, SBA

TONY GALLEGOS, EEOC COMMISSIONER

Mr. SMITH of Iowa. The next item we will consider this morning is the supplemental request of $93.922 million for the Economic Development Administration's Economic Development Assistance Programs. Testifying on behalf of this request is Craig M. Smith, Acting Assistant Secretary of Commerce for Economic Development. We will insert the justifications for this request into the record at this point, and we ask that you briefly summarize your statement.

[The justifications follows:]

H. Doc. No. ____

DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Economic Development Assistance Programs
SUPPLEMENTAL BUDGET REQUEST
FISCAL YEAR 1993

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Congressional Submission
February 1993

APPROPRIATION SUMMARY STATEMENT
DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION

Economic Development Assistance Programs
Supplemental Budget Request
Fiscal Year 1993

	Appropriation			**Employment**	
				FTE	**Pos.**
Presently available	$215,320,000	A/	Presently available	N/A	N/A
Proposed supplemental B/	93,922,000		Proposed supplemental	N/A	N/A
Revised estimate	309,242,000		Revised estimate	N/A	N/A

A/ Pursuant to P.L. 102-395, reflects a transfer of $1,680,000.
B/ Object class 41.0 only.

STATEMENT OF PURPOSE AND NEED

While the recession officially ended in March 1991, the economy has gained only about 500,000 jobs compared with a normal rate of 3 million to 4 million for most postwar recoveries. To address this problem, the Administration is proposing to "jump start" the economy through a $31 billion infusion of spending and tax incentive programs. To specifically address jobs creation in economically-depressed areas of the country, EDA is requesting $93.922 million.

Of the amount being requested, $48.922 million will be used to fund development facilities and infrastructure projects; $15.0 million will be utilized for business development in riot-impacted communities throughout Los Angeles County; $15.0 million to assist victims of Hurricanes Andrew and Iniki and Typhoon Omar; and $15.0 million to help communities adversely impacted by base closures and defense-related cutbacks in procurement.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION
(Appropriation Language, Existing Legislation)

Economic Development Assistance Programs

For an additional amount for "Economic development assistance programs," $93,922,000.

Department of Commerce
Economic Development Administration
Economic Development Assistance Programs
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

ACTIVITY: ECONOMIC DEVELOPMENT ASSISTANCE PROGRAMS	1993 Presently Available			1993 Revised Estimate			1993 Proposed Supplemental		
SUBACTIVITY:	FTE	Pos.	Amount	FTE	Pos.	Amount	FTE	Pos.	Amount
Public works A/	**0**	**0**	**$145,755**	**0**	**0**	**194,677**	**0**	**0**	**48,922**
Districts	0	0	17,353	0	0	17,353	0	0	0
Indians	0	0	2,901	0	0	2,901	0	0	0
States	0	0	1,933	0	0	1,933	0	0	0
Urban	0	0	2,583	0	0	2,583	0	0	0
Subtotal, Planning	**0**	**0**	**24,770**	**0**	**0**	**24,770**	**0**	**0**	**0**
Local technical assistance	0	0	$1,430	0	0	1,430	0	0	0
University centers	0	0	7,570	0	0	7,570	0	0	0
Subtotal, Technical assistance	**0**	**0**	**9,000**	**0**	**0**	**9,000**	**0**	**0**	**0**
Research and evaluation	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Trade adjustment assistance	**0**	**0**	**13,720**	**0**	**0**	**13,720**	**0**	**0**	**0**
Economic adjustment	**0**	**0**	**22,075**	**0**	**0**	**67,075**	**0**	**0**	**45,000**
Total A/	0	0	215,320	0	0	309,242	0	0	93,922

A/ Pursuant to P.L. 102-395, reflects a transfer of $1,680,000.

Mr. **Craig Smith**. Thank you, Mr. Chairman. My name is Craig Smith and I am Acting Assistant Secretary for EDA and while the recession ended in March 1991, the economy has only gained about 500,000 jobs compared to a normal 3 to 4 million. The administration is to address the job creation in economicly depressed areas of the country by asking $93.292 million.

ECONOMIC DEVELOPMENT

Of the amount being requested, the $48.9 million will be used to fund development facilities and infrastructure projects, $15 million will be utilized for business development and riot impacted communities throughout Los Angeles and $15 million to assist victims of Hurricanes Andrew and Iniki, and Typhoon Omar, and $15 million to help communities adversely impacted with closures and Defense-related cutbacks in procurement. That is basically our request.

[The prepared statement of Mr. Craig Smith follows:]

STATEMENT BY THE ACTING ASSISTANT SECRETARY OF COMMERCE FOR ECONOMIC DEVELOPMENT, CRAIG M. SMITH, BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES
FEBRUARY 23, 1993

Mr. Chairman and members of the Subcommittee, thank you for this opportunity to appear before you today to discuss the FY 1993 Economic Stimulus Supplemental for the Economic Development Administration (EDA). To provide urgently needed economic assistance to distressed areas of our Nation, EDA is requesting $93.9 million to supplement current financial requirements through the acceleration and expansion of existing EDA authorities geared towards both jobs retention and jobs creation.

ECONOMIC RECOVERY AND JOBS

While the economy continues to show signs of recovery, jobs creation, an element necessary for long-term economic growth and competitiveness, has stagnated. In prior economic recoveries, not only were jobs which were lost in the recession regained but thousands of new jobs were subsequently created during the recovery; however, that is not currently the situation as some nine million Americans are unemployed and an additional six million underemployed. Further, it is estimated that only 30 percent of the jobs lost in the most recent recession have been regained. Enactment of the Stimulus Supplemental will enable EDA to create immediate employment opportunities in areas of the country experiencing significant economic distress. To achieve its objective, EDA will make full use of its authorities under Titles I and IX of the Public Works and Economic Development Act of 1965, as amended.

TITLE I
(GRANTS FOR PUBLIC WORKS AND DEVELOPMENT FACILITIES)

In the area of Public Works, EDA is requesting $48.9 million to fund development facilities and infrastructure projects. Particular emphasis will be put on projects that can be gotten underway quickly and that will create immediate employment opportunities for unemployed and underemployed persons. Project selections will concentrate on communities or neighborhoods which EDA determines to have:

- a large concentration of low-income persons;
- rural areas having substantial out-migration;
- substantial unemployment;
- or an actual or threatened abrupt rise of unemployment.

Such projects will not be "make work" projects but projects that fulfill a pressing need of the area and provide an economic stimulus for the area. Also, the projects will, in most cases, be undertaken within 90-120 days and be substantially completed within one year.

TITLE IX
(SPECIAL ECONOMIC DEVELOPMENT AND ADJUSTMENT ASSISTANCE)

In addition, $45.0 million is requested for the Special Economic Development and Adjustment Assistance Program to provide economic assistance in three specific areas. For the riot-impacted communities throughout Los Angeles County, $15.0 million will be used to fund several projects already identified by EDA and the REBUILD LA organization. For example, EDA is reviewing the possible construction of a business incubator and other facilities in this ethnically-diverse community; such facility would stimulate immediate construction jobs as well as provide long-term job opportunities for residents of the area. Another $15.0 million will be used to cover current funding shortfalls associated with recovery efforts resulting from Hurricanes Andrew and Iniki and Typhoon Omar. These funds supplement the $75.0 million appropriated in FY 1992 and will be used for strategy and implementation grants (construction) as well as for revolving loan funds. Finally, $15.0 million in directly appropriated funds is needed to assist those communities now impacted by defense dislocations. Funds transferred to EDA from the Department of

Defense, while generally available to assist impacted communities, must follow comprehensive strategies related to the conversion of the military facilities being closed. Direct funding will enable EDA to provide an immediate and comprehensive response to the area's economic problems that began as soon as the dislocation was announced.

CONCLUSION

Mr. Chairman, that concludes my Prepared Statement. My staff and I would be glad to address any questions the Subcommittee may have at this time.

Mr. Smith of Iowa. Our last Department of Commerce witness is Loretta Young, Acting Director of the Minority Business Development Agency. The request for MBDA is $1.878 million. We will insert the justifications for this request into the record at this point. Please proceed with a summary of your remarks, and then we will proceed with a few questions.

[The justifications follow:]

Department of Commerce
Minority Business Development Agency

Minority Business Development
Supplemental Budget Request
Fiscal Year 1993

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Congressional Submission
February 1993

APPROPRIATION SUMMARY STATEMENT
DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY

Minority Business Development
Supplemental Budget Request
Fiscal Year 1993

	Appropriation
Presently available	$37,889,000
Proposed supplemental	1,878,000
Revised estimate	39,767,000

STATEMENT OF PURPOSE AND NEED

The Minority Business Development Agency requests supplemental funding in the amount of $1,878,000 for FY 1993. This amount is necessary to cover anticipated administrative shortfall. The majority of the supplemental funding is needed to avoid a reduction in force and/or a major furlough. The remainder of the funds is needed for such activities as on-site project and program monitoring and the development of new program initiatives.

Twenty five percent of the current population of the United States is Black, Hispanic, Asian, or Pacific Islander. By the year 2050, these groups are projected to make up 48 percent of the U.S. population. Minority-owned businesses are estimated to make up about 6 percent of all businesses. Minorities must be brought into the mainstream of the U.S. ecomomy. MBDA's mission is to assist in the formation and expansion of minority-owned businesses. MBDA's programs create and maintain jobs for minorities, a segment of the population which has the highest unemployment rate in the country.

Department of Commerce
Minority Business Development Agency
Minority Business Development
Appropriation Language Sheet

For an additional amount for "Minority business development", notwithstanding any other provision~~s~~ of law, $1,878,000 for program management to remain available until September 30, 1993.

Department of Commerce
Minority Business Development Agency
Minority Business Development
SUMMARY OF RESOURCE REQUIREMENTS
(Dollar amounts in thousands)

	1993 Presently Available			1993 Proposed Supplemental			1993 Revised Estimate		
Comparison by activity:	FTE	POS	Amount	FTE	POS	Amount	FTE	POS	Amount
Enterprise Development									
Business Development.........	132	148	$36,685	0	0	$1,575	132	148	38,260
Subtotal..................	132	148	36,685	0	0	1,575	132	148	38,260
Resource Development									
Public Sector................	12	13	1,528	0	0	67	12	13	1,595
Private Sector...............	13	14	2,283	0	0	80	13	14	2,363
Subtotal..................	25	27	3,811	0	0	147	25	27	3,958
Advocacy, Research, & Info.									
Advocacy.....................	7	7	492	0	0	36	7	7	528
Research.....................	8	8	1,351	0	0	45	8	8	1,396
Information..................	18	19	1,217	0	0	75	18	19	1,292
Subtotal..................	33	34	3,060	0	0	156	33	34	3,216
Direct Obligations............	190	209	43,556	0	0	1,878	190	209	45,434
Adjustments for:									
Recoveries...................	0	0	0	0	0	0	0	0	0
Unobligated balance, SOY.....	0	0	(5,667)	0	0	0	0	0	(5,667)
Unobligated balance, transf..	0	0	0	0	0	0	0	0	0
Unobligated balance, EOY.....	0	0	0	0	0	0	0	0	0
Unobligated balance, lapsing.	0	0	0	0	0	0	0	0	0
Sequester....................	0	0	0	0	0	0	0	0	0
Financing from transfers:									
Transfers from other accounts	0	0	0	0	0	0	0	0	0
Transfers to other accounts..	0	0	0	0	0	0	0	0	0
Appropriation.................	190	209	37,889	0	0	1,878	190	209	39,767

Department of Commerce
Minority Business Development Agency
Minority Business Development
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Object Class		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
11	Personnel compensation			
11.1	Full-time permanent	$7,235	$1,009	$8,244
11.3	Other than full-time permanent	183	18	201
11.5	Other personnel compensation	50	70	120
11.8	Special personnel services payments	0	0	0
11.9	Total personnel compensation	7,468	1,097	8,565
12.1	Civilian personnel benefits	1,596	180	1,776
13	Benefits for former personnel	0	0	0
21	Travel and transportation of persons	258	87	345
22	Transportation of things	20	2	22
23.1	Rental payments to GSA	1,638	0	1,638
23.2	Rental payments to others	23	0	23
23.3	Commun., util., misc. charges	290	0	290
24	Printing and reproduction	136	139	275
25	Other services	7,712	318	8,030
26	Supplies and materials	45	35	80
31	Equipment	10	20	30
32	Lands and structures	0	0	0
33	Investments and loans	0	0	0
41	Grants, subsidies and contributions	24,360	0	24,360
42	Insurance claims and indemnities	0	0	0
43	Interest and dividends	0	0	0
44	Refunds	0	0	0
99	Total Obligations	43,556	1,878	45,434
	Less: Obligations from prior year	(5,667)	0	(5,667)
	Total Budget Authority	37,889	1,878	39,767

Department of Commerce
Minority Business Development Agency
Minority Business Development
SUMMARY OF REQUIREMENTS BY OBJECT CLASS
(Dollar Amounts in thousands)

Personnel Data	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Full-Time Equivalent Employment:			
Full-time permanent	183	0	183
Other than full-time permanent	7	0	7
Total	190	0	190
Authorized Positions:			
Full-time permanent	209	0	209
Other than full-time permanent	16	0	16
Total	225	0	225

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

Department of Commerce
Minority Business Development Agency
Minority Business Development
Program and Financing (in thousands of dollars)

Identification code
13-0201-1-1-376

	19 actual PRESENTLY AVAILABLE	19 estimate PROPOSED SUPPLEMENTAL	19 estimate REVISED ESTIMATE
Program by activities			
Direct program:			
00.01 Enterprise development	36,685	1,575	38,260
00.02 Resource development	3,811	147	3,958
00.03 Advocacy, research, and information	3,060	156	3,216
00.91 Total, direct program	43,556	1,878	45,434
01.01 Reimbursable program	600	...	600
10.00 Total obligations	44,156	1,878	46,034
Financing:			
21.40 Unobligated balance available, start of year	-5,667	...	-5,667
39.00 Budget authority (gross)	38,489	1,878	40,367
Budget authority			
Current:			
40.00 Appropriation	37,889	1,878	39,767
Permanent:			
68.00 Spending authority from offsetting collections (new)	600	...	600
Relation of obligations to outlays:			
71.00 Total obligations	44,156	1,878	46,034
72.40 Obligated balance, start of year	25,623	...	25,623
74.40 Obligated balance, end of year	-27,733	...	-27,733
87.00 Outlays (gross)	42,046	1,878	43,924
Adjustments to budget authority and outlays:			
88.00 Deductions for offsetting collections: Federal Funds	-600	...	-600
89.00 Budget authority (net)	37,889	1,878	39,767
90.00 Outlays (net)	41,446	1,878	43,324

MBDA-6

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

Department of Commerce
Minority Business Development Agency
Minority Business Development
Object Classification (in thousands of dollars)

Identification code 13-0201 1-1-376	19 actual PRESENTLY AVAILABLE	19 PROPOSED SUPPLEMENTAL	19 REVISED ESTIMATE
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent	7,235	1,009	8,244
11.3 Other than full-time permanent	183	18	201
11.5 Other personnel compensation	50	70	120
11.9 Total personnel compensation	7,468	1,097	8,565
12.1 Civilian personnel benefits	1,596	180	1,776
21.0 Travel and transportation of persons	258	87	345
22.0 Transportation of things	20	2	22
23.1 Rental payments to GSA	1,638	...	1,638
23.2 Rental payments to others	23	...	23
23.3 Communications, utilities, and miscellaneous charges	290	...	290
24.0 Printing and reproduction	136	139	275
25.0 Other services	7,712	318	8,030
26.0 Supplies and materials	45	35	80
31.0 Equipment	10	20	30
41.0 Grants, subsidies, and contributions	24,360	...	24,360
99.0 Subtotal, direct obligations	43,556	1,878	45,434
99.0 Reimbursable obligations	600	...	600
99.9 Total obligations	44,156	1,878	46,034

MBDA-7

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised
300-101

Department of Commerce
Minority Business Development Agency
Minority Business Development

Personnel Summary

Identification code
13-0201-1-1-376

	19 actual	19 estimate	19 estimate
	PRESENTLY AVAILABLE	PROPOSED SUPPLEMENTAL	REVISED ESTIMATE
Total compensable workyears:			
Full-time equivalent employment	190	...	190
Full-time equivalent of overtime and holiday hours	1	...	1
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MBDA-8

Ms. YOUNG. Thank you, Mr. Chairman and Members of the subcommittee. It is my pleasure to appear before you today to present the supplemental request for $1.878 million for the Minority Business Development Agency. With me today is my budget officer, Harolyn Boulware. Over the last decade, the agency's budget has been reduced from $60 million to $37.8 million.

MBDA SUPPLEMENTAL REQUEST

The agency needs to be able to maintain its existing services and develop new services for minority entrepreneurs. We believe that the agency is capable of and that the program warrants an attack on the impediments to minority-owned businesses, such as lack of capital and lack of access to business information. The supplemental we are requesting will enable the agency to continue to provide the staff support that fosters and promotes minority business, by allowing the agency's program operations to continue while the agency strives to be ever more efficient in managing its programs.

Dedicated professional staff deliver innovative programs and vital services to the minority business community. MBDA's staff provides project monitoring to safeguard the taxpayer's investment. Therefore, in keeping with sound financial practices, a portion of this request is needed to insure on-site program monitoring of funded organizations, outreach and information dissemination, and other activities conducted by MBDA's staff to expand the minority business community.

For example, last year employees in one-on-one meetings directed more than 100,000 customers interested in MBDA programs to minority business development centers to franchiser orientation seminars developed by the agency and to export trade shows. MBDA's staff coordinated delegations to Mexico and to the Middle East where minority-owned businesses gained immediate contracts, received sale leads and identified agents, explored joint ventures and targeted export opportunities.

Our current funding level is insufficient to continue the agency's mission. These funds will be used to avert a costly reduction of 28 percent. We are confident that the Clinton/Brown team will unleash a number of new programs at Commerce that will expand the number of minority businesses and create jobs.

Approval of this supplemental request will allow MBDA to continue its vital work in this area.

Mr. SMITH of Iowa. Thank you.

[The prepared statement of Ms. Young follows:]

U. S. DEPARTMENT OF COMMERCE
MINORITY BUSINESS DEVELOPMENT AGENCY
STATEMENT BY THE
ACTING DIRECTOR
LORETTA M. YOUNG
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE, THE JUDICIARY AND RELATED AGENCIES

Good Morning Mr. Chairman and Members of the Subcommittee. It is my pleasure to appear before you today to present the supplemental request for $1.878 million for the Minority Business Development Agency. With me today is my budget officer, Harolyn Boulware. Over the last decade, the agency's budget has been reduced from $60 million to $37.8 million. The Agency needs to be able to maintain its existing services and develop new services for minority entrepreneurs. We believe that the agency is capable of, and that the program warrants, an attack on the impediments to minority-owned business, such as lack of capital and lack of access to business information. The supplemental we are requesting will enable the agency to continue to provide the staff support that fosters and promotes minority business, by allowing the agency's program operations to continue while the agency strives to be evermore efficient in managing its programs.

Dedicated professional staff deliver innovative programs and vital services to the minority business community.

MBDA staff provides project monitoring to safeguard the taxpayers' investment. Therefore, in keeping with sound financial practices, a portion of this request is needed to ensure on-site program monitoring of funded organizations.

Outreach and information dissemination are other activities conducted by MBDA staff to expand the minority business community. For example, last year employees, in one-on-one meetings, directed more than 100,000 customers interested in MBDA programs to Minority Business Development Centers, to franchise orientation seminars developed by the agency, and to export trade shows. MBDA staff coordinated delegations to Mexico and to the Middle East where minority-owned businesses gained immediate contracts, received sales leads, identified agents, explored joint ventures, targeted export opportunities, established operations, and cleared the way for production.

Our current funding level is insufficient to continue the agency's mission. These funds will be used to avert a costly 28% reduction in-force which would substantially disrupt program delivery.

We are confident that the Clinton-Brown team will unleash a number of new programs at Commerce that will expand the number of minority businesses and create jobs. Approval of this supplemental request will allow MBDA to continue it's vital work in this area.

Mr. SMITH of Iowa. The committee will next hear testimony concerning the fiscal year 1993 supplemental budget request for the Equal Employment Opportunity Commission. The request is for $8.829 million. The Commission has already been appropriated $222 million for fiscal year 1993.

The Committee welcomes Tony E. Gallegos, who will testify today on behalf of the Commission. Commissioner Gallegos, you may proceed with your statement.

Mr. GALLEGOS. Mr. Chairman and Members of the subcommittee, I am pleased to be here today on behalf of Chairman Evan Kemp to convey to you the EEOC's need for additional funds for fiscal year 1993. I have submitted a detailed statement which I hope will be included in the hearing record.

With me today are EEOC staff members who will answer any questions you may have—Ann Colgrove, the Acting Chief of Staff, Jim Troy, the Director of Program Operations, and Ronnie Blumenthal, who is the Director of Federal Operations.

THE PRESIDENT'S REQUEST

As an EEOC commissioner, I am not involved in the day-to-day administration and management of the agency. However, it is clear to all of us at the EEOC that the agency must have additional resources if it is to be effective in the enforcement of our nation's employment discrimination laws. President Clinton has requested an additional $8.8 million for the EEOC in fiscal year 1993, all of which will be dedicated to the hiring of enforcement staff in the agency's 50 field offices. If approved by Congress, the President's request will allow the agency to hire 156 employees—141 new investigators and 15 new staff to hear complaints filed by Federal employees.

STAFF AND FUNDING HISTORY

The EEOC has a long history of funding problems. The Civil Rights Act of 1991, the Americans with Disabilities Act and the new Federal complaint process and procedures have produced a dramatic increase in the agency's work load. Yet in fiscal year 1993, Congress appropriated $222 million to EEOC, $23 million less than was requested.

In addition, staff resources have steadily declined for more than 10 years. In fact, the staff level in fiscal year 1992 was 2,791, and the agency received 70,000 charges. Compare those numbers with fiscal year 1980 when the staff level was 3,390—nearly 20 percent higher—and EEOC received 15,000 fewer charges.

INCREASING WORK LOAD

Mr. Chairman, the EEOC is facing the greatest challenge in its history. We are a labor intensive agency in dire need of more enforcement staff. With the ever increasing numbers of Americans turning to EEOC for help, we have reached a point where those seeking our assistance will have to wait longer and longer. Providing the resources to hire 156 new employees will strengthen the agency's ability to vigorously enforce the laws prohibiting discrimination in the workplace.

Thank you, Mr. Chairman. We will be happy to answer any questions.

[The prepared statement of Mr. Gallegos follows:]

Statement of
Tony E. Gallegos, Commissioner
Equal Employment Opportunity Commission
before the
Subcommittee on Commerce, Justice, State, the Judiciary and Related Agencies
Committee on Appropriations
U.S. House of Representatives
February 23, 1993

Mr. Chairman and Members of the Subcommittee, on behalf of Chairman Evan J. Kemp, Jr., I am pleased to have this opportunity to convey to you the urgency of the agency's need for the fiscal year 1993 supplemental budget request.

President Clinton has requested an additional $8,829,000 for EEOC in FY 1993. This supplemental request would provide funds to increase the number of enforcement staff in EEOC's 50 field offices. Specifically, this money would allow the agency to hire 156 new employees in our field offices. Of these employees, 141 would be investigative staff dedicated to resolving private sector and state and local government complaints of discrimination. The remaining 15 slots would be for staff responsible for hearing complaints of discrimination filed by federal employees.

For FY 1993, Congress appropriated $222 million to EEOC, $23 million less than requested. This amount is significantly less than is needed to effectively carry out the mission of the agency, particularly in light of EEOC's expanded responsibilities under the Americans with Disabilities Act (ADA) and the Civil Rights Act (CRA) of 1991. Fiscal year 1993 is an especially critical year for EEOC since it marks the first full year of implementation of the ADA, CRA and the new federal EEO complaint processing procedures under 29 C.F.R. Part 1614. Our FY 1993 appropriation of $222 million did not provide any additional staff to enforce these new laws and regulations.

The FY 1993 appropriation has had greatest effect on existing staff shortages in Commission field offices. This lack of staff drastically impedes the agency's ability to address a rapidly increasing pending inventory of charges. We have worked diligently to streamline Headquarters operations -- including instituting a hiring freeze at Headquarters -- in an effort to address staff shortages in the field. Critically needed staff resources must be provided for EEOC to effectively enforce the laws prohibiting employment discrimination.

President Clinton's economic recovery plan focuses on increasing the overall productivity of the American economy by enabling all Americans to develop their full potential in the workplace. The elimination of discriminatory barriers in the workplace will ensure that all Americans are afforded equal opportunity to compete for jobs. For example, enactment of the ADA opened the door of employment opportunity to 43 million Americans with disabilities. The inability to adequately enforce the law will deny this opportunity. Additional resources in FY 1993 will permit EEOC to effectively and efficiently investigate the new cases filed under ADA and CRA. Without the resources for adequate enforcement, the door to opportunity will be closed.

EEOC's workload is growing at an alarming rate. Staff resources have steadily declined for more than 10 years and are at a critical level despite the agency's expanded responsibilities and a dramatic increase in charge receipts. In 1980, EEOC's staff level was 3,390. That same year EEOC received about 56,000 charges. By 1992, the staff level dropped to 2,791 -- a decrease of nearly 20 percent of EEOC's workforce or about 600 employees. At the same time, the number of charges filed with the agency rose to more than 70,000.

In 1991, we projected a 20 percent increase in discrimination charges resulting from the ADA (12,000 charges annually) and another 10 percent increase from the CRA. As projected, the agency experienced more than a 10 percent increase in CRA charges. Additionally, based on the number of charges received thus far in FY 1993, EEOC will realize its projected increase in ADA charges.

EEOC has attempted to address its increasing workload in the last several years through managerial improvements and through the efforts of its highly dedicated staff. For the past three years, the agency has implemented a variety of systems which have improved its management techniques, caseload management, office automation and case tracking. As a result, productivity in enforcement has steadily increased from 80.4 average charge resolutions per investigator in FY 1988 to 92.8 by the end of FY 1992 -- the highest level in agency history. However, it is not realistic to assume that this level of productivity can be maintained. The ADA and CRA present more complex theories of discrimination. New and different kinds of information must be gathered as part of our investigations, lengthening the time it takes to resolve charges of discrimination.

The need for additional staff in our federal sector enforcement program is also great. In FY 1992, hearing receipts increased by nearly 20 percent, and we anticipate a similar increase in FY 1993. Under the new 1614 regulations that took effect October 1, 1992, EEOC now is required to resolve cases within 180 days. Although administrative judge productivity rose from 95 to 113, this stricter time frame cannot be met without additional resources in light of the growth in workload.

EEOC is facing the greatest challenge of its history. We are a labor-intensive agency in dire need of more enforcement staff. With the ever increasing number of Americans turning to EEOC for help, we have reached a point where those seeking our assistance will have to wait longer and longer. Providing EEOC with the resources to hire 156 new employees will strengthen the agency's ability to vigorously enforce the laws prohibiting discrimination in the workplace.

Mr. SMITH of Iowa. Next we will hear from Lawrence Rosenbaum, Comptroller of the Small Business Administration. We will insert the budget justification submitted in support of this request into the record at this point, and then you may proceed with your statement.

[The justification material follows:]

SMALL BUSINESS ADMINISTRATION

SUPPLEMENTAL REQUEST

ECONOMIC STIMULUS PROPOSAL

FISCAL YEAR

1993

February 1993
Prepared by:
Office of the Comptroller
Office of Planning & Budget

SUPPLEMENTAL
(Appropriations Language)

SMALL BUSINESS ADMINISTRATION

Business Loans Program Account

For an additional amount for "Business loans program account," for the cost of guaranteed loans, $140,833,000: Provided, That these funds are available to subsidize gross obligations for the principal amount, any part of which is to be guaranteed, not to exceed $2,575,557,587".

Explanation of Language

This supplemental request would provide funds to cover high demand for general business loans. In FY 1992, demand for general business guaranty loans was 37% higher as compared to FY 1991. The total FY 1992 usage of general business guaranty funds was $5.6 billion. This increased demand has continued into FY 1993 and at the end of the first quarter the Agency was been forced to place approved general business guarantee loans in an "awaiting funding" status until second quarter apportioned funds became available. Further, in anticipation of requesting additional funds through the economic stimulus package, OMB approved a reapportionment request that transferred third and fourth quarter program level availability to the second quarter. We do not expect FY 1993 demand to decrease and without additional funding approved through this economic stimulus package we anticipate that current available funds will be depleted by the middle of May.

SMALL BUSINESS ADMINISTRATION

Justification For Supplemental Appropriation FY 1993

Economic Stimulus Proposal

A supplemental appropriation will be necessary to meet the anticipated demand of the General Business Guaranty Loan Program in FY 1993. The requested amount of additional general business program level is $2.6 billion. Based on the current subsidy rate of 5.47% for general business guaranty loans, budget authority of $141 million is required.

From FY 1991 to FY 1992 SBA experienced an increase of 37 percent in the demand for General Business Guaranty loans. As you are all aware, President Clinton has made a commitment to stimulate the economy and this includes assisting small business through investment tax credits and easing their burden in obtaining credit. SBA's portion of this economic stimulus package directly addresses easing the "credit crunch" that small businesses currently face. This effort will address the President's investment strategy to help rebuild America.

We are currently approving loans at a rate significantly higher than our FY 1993 availability of $3.6 billion will support. In the first quarter we approved the entire $813 million which represents one fourth of our FY 1993 appropriation plus $368 million of program level authority which was carried forward from FY 1992. Additionally, we were required to discontinue funding loans in mid December so that we would not exceed our total availability for the 1st quarter. On January 4th and 5th, when 2nd quarter funds became available, a $281 million backlog was approved. This yielded a total demand of over $1.4 billion in the 1st quarter alone.

In anticipation of requesting additional funds through the economic stimulus package, on January 29, 1993 the Office of Management and Budget approved a reapportionment request transferring $925 million in program level authority from the third and fourth quarters to the second quarter. We estimate that our current program level will meet demand until the middle of May.

Our request for an additional $2.6 billion in program level authority will support what we estimate the demand for general business loans to be for the remainder of FY 1993. On the following page are some statistics which support this estimate.

7(a) General Business Guaranty
FY 1992 Actual and FY 1993 Projected

FY 1992 Actual

1st Quarter	$1,145.9	
2nd Quarter	1,197.5	
3rd Quarter	1,629.3	
4th Quarter	1,651.6	
TOTAL	$5,624.3	1/

FY 1993 Projected

1st Quarter	$1,458.9	2/
2nd Quarter	1,459.1	
3rd Quarter	1,630.0	
4th Quarter	1,645.6	
TOTAL	$6,193.6	3/
Currently Available	3,618.0	
Additional Requirement	$2,575.6	

1/ Represents a 37.1% increase over FY 1991 activity. Additionally, the second half of FY 1992 represented a 40% increase over the first half of FY 1992.

2/ Includes approvals on January 4th and 5th which represent 1st quarter backlog.

3/ Projections based on FY 1992 actual experience.

Mr. ROSENBAUM. Thank you, Mr. Chairman. It is a pleasure to be here, Mr. Chairman, and Mr. Rogers. With me I have Chuck Hertzberg, Assistant Administrator for Financial Assistance. Also with me is my budget officer, Arnie Rosenthal. You have requested that we provide testimony on the economic stimulus package as it pertains to this agency.

Specifically, a supplemental appropriation of $141 million will be necessary to provide funding for $2.6 billion in new loans for the 7A guaranteed lending program. This will provide a total program level this year of $6.2 billion. I am sure you remember that we required a supplemental last year as a result of the significant demand that we experienced. We still experience that demand today.

Last year we approved $5.6 billion in loans. Our current availability this year, including the carry-over from FY 1992 is only $3.6 billion. Without this supplemental, Mr. Chairman, we will be forced to shut down this program by mid-May.

This concludes my summary of the prepared statement that I have provided. I will be more than happy to answer any questions.

[The prepared statement of Mr. Rosenbaum follows:]

LAWRENCE R. ROSENBAUM
COMPTROLLER
U.S.SMALL BUSINESS ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON COMMERCE, JUSTICE, AND STATE
THE JUDICIARY AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF
REPRESENTATIVES

FEBRUARY 23, 1993

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE HOUSE SUBCOMMITTEE:

IT IS A PLEASURE FOR ME TO APPEAR BEFORE YOU TODAY. OUR ACTING ADMINISTRATOR, MR. DAYTON WATKINS, HAS REQUESTED THAT I REPRESENT THE AGENCY BEFORE YOU IN THE ABSENCE OF A PERMANENT ADMINISTRATOR. I AM ACCOMPANIED BY CHARLES R. HERTZBERG, THE ASSISTANT ADMINISTRATOR FOR FINANCIAL ASSISTANCE.

YOU HAVE REQUESTED THE SMALL BUSINESS ADMINISTRATION (SBA) TO PROVIDE TESTIMONY ON THE ECONOMIC STIMULUS PACKAGE PRESENTED TO YOU LAST WEEK BY PRESIDENT CLINTON. I AM HAPPY TO SAY THAT THE PRESIDENT HAS INCLUDED THE SBA AS PART OF HIS ECONOMIC STIMULUS PACKAGE, RECOGNIZING THE ENORMOUS CONTRIBUTION THAT SMALL BUSINESSES MAKE TO THE NATION'S ECONOMY.

SPECIFICALLY, THIS REQUEST ADDRESSES THE PRESIDENT'S INVESTMENT STRATEGY DIRECTED TOWARD SMALL BUSINESSES TO HELP REBUILD AMERICA. A SUPPLEMENTAL APPROPRIATION IN FY 1993 OF $141 MILLION WILL BE NECESSARY TO GENERATE AN ADDITIONAL $2.6 BILLION IN GENERAL BUSINESS GUARANTY LOANS TO SMALL BUSINESSES.

AS I AM SURE YOU ARE AWARE, RECORD NUMBERS OF BUSINESS APPLICATIONS HAVE BEEN RECEIVED BY THE SBA FOR THESE LOAN FUNDS SINCE THE BEGINNING OF LAST FISCAL YEAR. DEMAND IN FY 1992 EXCEEDED OUR APPROPRIATED LEVEL, RESULTING IN YOUR COMMITTEE TAKING ACTION TO PASS A SUPPLEMENTAL APPROPRIATION. THIS FY 1992 SUPPLEMENTAL ALLOWED THE SBA TO CONTINUE TO MEET THIS DEMAND THROUGH THE FISCAL YEAR. OUR OVERALL LOAN ACTIVITY FROM FY 1991 TO FY 1992 IN THIS PROGRAM INCREASED SOME 37 PERCENT, RESULTING IN FY 1992 APPROVALS OF $5.6 BILLION.

WE CONTINUE TO EXPERIENCE STRONG DEMAND FOR LOAN FUNDS IN FY 1993. PROJECTING OUR ACTUAL APPROVALS THROUGH JANUARY OF THIS YEAR, WE ANTICIPATE OUR TOTAL REQUIREMENTS TO BE APPROXIMATELY $6.2 BILLION. OUR CURRENT AVAILABILITY FOR FY 1993, INCLUDING OUR CARRY-OVER BALANCE, IS ONLY $3.6 BILLION. AS YOU CAN SEE, THIS IS FAR SHORT OF OUR ACTUAL APPROVAL LEVEL IN FY 1992 AND WILL NOT ENABLE THE SBA TO MEET DEMAND THIS YEAR.

IN FACT, FUNDS WERE EXHAUSTED BY EARLY DECEMBER AND PLACED ON STANDBY UNTIL THE BEGINNING OF THE SECOND QUARTER. WE ALSO KNEW THAT THE SECOND QUARTER AVAILABILITY WOULD NOT BE SUFFICIENT TO FUND THE LAST TWO MONTHS OF THE SECOND QUARTER. RECOGNIZING THE NEED FOR CONTINUITY IN FUNDING THIS PROGRAM AND THE RESULTING IMPACT THAT THESE LOAN FUNDS HAVE ON THE STIMULUS OF THE ECONOMY, THE OFFICE OF MANAGEMENT AND BUDGET (OMB) ALLOWED THE SBA TO MOVE FUNDS FROM OUR THIRD AND FOURTH QUARTERS INTO THE SECOND QUARTER. WITH THIS REVISED LEVEL OF FUNDING, WE ARE NOW MEETING CURRENT DEMAND.

HOWEVER, THE RESULT OF THESE ACTIONS HAS BEEN TO REDUCE FUNDING AVAILABILITY IN THE THIRD QUARTER AND ELIMINATE ANY FUNDING FOR THE FOURTH QUARTER. ABSENT SUPPLEMENTAL APPROPRIATION ACTION, WE WILL BE FORCED TO SHUT DOWN THE PROGRAM BY ABOUT THE MIDDLE OF MAY DUE TO LACK OF FUNDING.

IN SUMMARY, THE PRESIDENT'S ECONOMIC STIMULUS PACKAGE WOULD FUND A PROGRAM LEVEL OF $2.6 BILLION, PROVIDING A TOTAL FY 1993 GENERAL BUSINESS GUARANTY LOAN PROGRAM OF $6.2 BILLION.

THIS CONCLUDES MY BRIEF OVERVIEW OF OUR FUNDING SITUATION IN THE SECTION 7(A) LOAN PROGRAM AND OUR PRESSING NEED FOR THE SUPPLEMENTAL APPROPRIATION.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU OR MEMBERS OF THE COMMITTEE MAY HAVE.

Mr. **Smith** of Iowa. EEOC, am I right or wrong that most of your request relates to the Disabilities Act; is that not correct?

NEW ENFORCEMENT RESPONSIBILITIES

Mr. **Gallegos**. Much of it will be with the Americans With Disabilities Act. The Civil Rights Act of 1991 also has an impact. Our 1614 regulations will have an impact too. The staff requested will help in these areas.

Mr. **Smith** of Iowa. So it is a combination of all of those?

Mr. **Gallegos**. It is a combination of all of them.

Mr. **Smith** of Iowa. You mentioned you didn't get as much money as you needed. A lot of agencies didn't. We had to start out with a 93 percent current services threshold.

EDA TITLE IX PROGRAM

EDA, did I hear you say something about Los Angeles County?

Mr. **Craig Smith**. Yes, sir. $15 million would be utilized in our Title IX program to assist businesses, communities, and community development in the Los Angeles area.

Mr. **Smith** of Iowa. Earmarked for that one county?

Mr. **Craig Smith**. Yes.

Mr. **Smith** of Iowa. Was that the only earmark you had?

Mr. **Craig Smith**. We had $15 million that we were proposing for the Hurricane Andrew, and Iniki and Typhoon Omar.

Mr. **Smith** of Iowa. That is $15 million total for those?

Mr. **Craig Smith**. $15 million for each of those two areas and then another $15 million for Defense adjustment where the communities are impacted and the Defense Department funds don't address the problems.

Mr. **Smith** of Iowa. How does this differ from what we do under disaster assistance?

Mr. **Craig Smith**. It provides additional funds to put into the communities right now.

Mr. **Smith** of Iowa. To do the same thing that could be done under disaster assistance?

Mr. **Craig Smith**. Yes. We are not proposing any new programs. We are accelerating our current public works and title IX program.

SBA ADMINISTRATIVE FUNDS

Mr. **Smith** of Iowa. Mr. Rosenbaum of SBA, the request did not include anything to administer these loan guarantees.

Mr. **Rosenbaum**. That is correct, Mr. Chairman. This issue was overlooked by the administration in its effort to expedite this economic stimulus package. The administration, however, would be willing to move $2 million of the $141 million over to salaries and expenses to address this concern.

Mr. **Smith** of Iowa. Can you do that without the bill stating that?

Mr. **Rosenbaum**. I believe it can be done through your drafting it in the language of the approved bill.

Mr. **Smith** of Iowa. I know, but you have to have language in the bill to do it; is that right?

Mr. **Rosenbaum**. Probably so.

Mr. **Smith** of Iowa. Why was that not included?

Mr. ROSENBAUM. The only assumption I can make is that this was an omnibus bill which included many departments and agencies and it was just overlooked by the administration.

Mr. SMITH of Iowa. Well, did they consult you before they drafted the bill?

Mr. ROSENBAUM. We talked on a very broad level in terms of program levels and such items, but were moving very quickly because the administration did want to get this economic stimulus package up to you as soon as possible so you could consider it, and I believe it was just overlooked.

Mr. SMITH of Iowa. So the bill has not changed in that way. What would be the consequences if you don't get to set aside $2 million for administration?

Mr. ROSENBAUM. I believe that in the short term the consequences would not be that significant, but in the long term, they could be substantial. An additional $2 million for financial assistance could augment our staff, for this year, by about 80 FTEs. This would provide additional employees to deliver these funds in a more judicious way so that we don't generate problems further down the road in terms of loan losses or bad debts.

Mr. SMITH of Iowa. If you don't have the $2 million, your losses are bound to be more in the future, wouldn't they?

Mr. ROSENBAUM. You are right, they could very well be, so the $2 million would be money well spent.

FY 1994 BUDGET FOR SBDCS AND TREE PLANTING

Mr. SMITH of Iowa. Just one quick question. You have been asked about the 1994 budget. How much did you ask for regarding SBDCs and for tree planting in 1994?

Mr. ROSENBAUM. In 1994?

Mr. SMITH of Iowa. Yes.

Mr. ROSENBAUM. In 1994, I have it right here. I wasn't prepared to address the 1994 issues at this hearing, but I believe we asked for a straight line of that.

Mr. SMITH of Iowa. On both of those?

Mr. ROSENBAUM. No, straight line on SBDC's. On tree planting, I don't believe anything was asked at that time. The second question was with the previous administration.

[CLERK'S NOTE.—Subsequent to the hearing the following clarification was provided by the Agency:]

Mr. ROSENBAUM. Let me qualify my response by saying that the budget request represented the views of the previous administration. We requested $40 million for the SBDC program and requested the elimination of most special initiatives, including the tree-planting program.

Mr. SMITH of Iowa. I understand. So you were not consulted concerning the technicalities of this request for the supplemental?

Mr. ROSENBAUM. We had some input on it, but unfortunately I think you experienced the same thing here, a lot of decisions were made by the leadership of both ends of Pennsylvania Avenue.

[CLERK'S NOTE.—Subsequent to the hearing the following clarification was provided by the Agency:]

Mr. ROSENBAUM. We provided a lot of information to the administration, but were not directly involved in the final technicalities of the proposal.

Mr. SMITH of Iowa. Did they ask you whether or not there are any programs that you have there that would produce jobs?

Mr. ROSENBAUM. For 1993 or 1994?

Mr. SMITH of Iowa. For 1993.

Mr. ROSENBAUM. They are very much aware of the programs we have and their impact on the economy. The 7A program was singled out because of its emergency aspects in the sense that we would be out of loan funding by mid-May. Other programs that we have, such as the 504 program, although impacting on the economy, were not of the same emergency nature as the 7(a) program. However, if activity in that program accelerates in the latter half of the year, we may have problems. But as we see it right now, only the 7A guarantee program really has some emergency issues to deal with.

Mr. SMITH of Iowa. They didn't ask you about those then?

Mr. ROSENBAUM. They focused mainly on the 7(a) program.

Mr. SMITH of Iowa. Mr. Rogers.

Mr. ROGERS. Who did they ask then within the agency?

Mr. ROSENBAUM. I know that during transition we provided a lot of information on a variety of our programs to the administration. We also provided information in terms of the impacts of those programs, on the economy including impacts on jobs. As I mentioned, I believe the focus centered on the 7(a) program primarily due to its emergency needs.

Mr. ROGERS. I believe you have sufficient funding to continue operating until the middle of May with the 7A program. Is that correct?

Mr. ROSENBAUM. That is correct, Mr. Rogers.

Mr. ROGERS. It is anticipated that another regular supplemental bill will come before us very, very soon?

Mr. ROSENBAUM. I am not aware of another bill, Mr. Rogers.

Mr. ROGERS. It is my understanding that a regular supplemental non-emergency funding bill has been talked about.

Mr. ROSENBAUM. The history of regular supplemental bills is that they usually don't get approved until sometime in the summer months.

Mr. ROGERS. Well——

Mr. ROSENBAUM. That would mean that our program would be without funds for at least a month or two. This would definitely have an adverse impact on the economy and the small business community, for those waiting for these loan funds.

Mr. ROGERS. Now, President Clinton in his document, A Vision of Change for America, proposes to decrease the subsidy costs on 7A loans by making private institutions share more of the risk.

Mr. ROSENBAUM. That is correct.

Mr. ROGERS. Resulting in significant savings to the government. If this proposal were applied to your current supplemental request, what would the subsidy cost be?

Mr. ROSENBAUM. We are requesting $141 million. This revision would reduce the requirement by $40 million to $101 million. Another alternative would be, if we stayed at $141 million, we could leverage another billion dollars worth of lending.

Mr. Rogers. Why can't we wait until his vision of change comes into being and save $100 million?

Mr. Rosenbaum. That is an alternative. Unfortunately, Mr. Rogers, by waiting we would have our small businesses out in the country going without funding probably until the beginning of the next fiscal year. That would develop into a very difficult hardship.

[Clerk's note.—Subsequent to the hearing the following clarification was provided by the Agency:]

Mr. Rosenbaum. You may choose to include that as an alternative in your markup of the bill. However, any delay in providing this necessary funding will negatively impact the economy and our small businesses if the delay extends beyond mid-May.

Mr. Rogers. You are coming up here with a emergency supplemental funding bill request. This subcommittee has been very responsive to the needs of the SBA. If we wait a few weeks, and apply President Clinton's expected proposal to limit the subsidy, we could save the taxpayer $41 million.

Mr. Rosenbaum. Without seeing the regular supplemental bill, I cannot address any proposal to change the subsidy rate. My knowledge of this proposal is that the subsidy rate is proposed to be lowered as part of our assumptions in the FY 1994 request.

ECONOMIC DEVELOPMENT

Mr. Rogers. Okay. Now, Mr. Smith, in your fiscal 1993 funds, which was $333 million, how much of that money has been spent? How much remain in your 1993 funds?

Mr. Craig Smith. I also have with me my budget officer, Mr. Vince Goodman and I have my Deputy Assistant Program Officer for Operations, Dave McLlwain. We have obligated $85.534 million.

Mr. Rogers. That is about one-fourth of your total monies, right?

Mr. Craig Smith. Yes.

Mr. Rogers. So you have about 75 percent of your monies, your regular monies, that you haven't even obligated yet. How come you need $94 million more in emergency spending?

Mr. Craig Smith. Well, at this point we have approximately $418 million in our pipeline and our pipeline is increasing about $3.5 to $4 million in a month. We feel that the disaster funds in Florida and the assistance in L.A. and our Title I and Title IX programs will help stimulate jobs and get the economy moving again.

Mr. Rogers. Let's talk about the L.A. riots. Do you currently have applications from Los Angeles submitted to EDA?

Mr. Craig Smith. No, we do not.

Mr. Rogers. You have no funding requests from Los Angeles pending?

Mr. Craig Smith. We have two projects that we did out there. We have the Rebuild L.A. and the Visitors' Bureau. We got Rebuild L.A. started and they have proposed one project which we were unable to fund last year, as we did not have sufficient funds, and they are developing additional proposals. We are looking at a potential incubator building and we are looking at a potential revolving loan fund project in L.A.

Mr. Rogers. How did you arrive at this figure, $15 million for L.A. riots?

Mr. Craig Smith. We figured that is what we could ably handle during this short——

Mr. Rogers. Were you consulted?

Mr. Craig Smith. Yes, sir.

Mr. Rogers. I see. But you have no applications from L.A.?

Mr. Craig Smith. We have one application pending from last year which we were unable to fund because we didn't have sufficient funds.

Mr. Rogers. How much was that for?

Mr. Craig Smith. $12 million.

Mr. Rogers. Of the hurricane monies for Florida, Louisiana and Hawaii, you had monies in the fiscal 1992 supplemental.

Mr. Craig Smith. Yes, $70 million.

Mr. Rogers. How much have you spent thus far?

Mr. Craig Smith. We have obligated $449 thousand, however, we are currently inviting applications of about $29 million and applications can be provided in the next 45 days totaling $44 million. We have a special office that we have opened in Miami to deal with the program. They are constantly meeting with the local people and reviewing applications which are forwarded up here.

Mr. Rogers. Thus far, you have not spent $70 million we gave you last year in the emergency supplemental for hurricane relief. Are you going to spend that $70 million before the end of this fiscal year, are you?

Mr. Craig Smith. We anticipate that we will. The total brings it at almost $85 million in requests and applications we already invited.

Mr. Craig Smith. We are also looking at some of the things in Hawaii which we are looking at and also in Louisiana. Hawaii is a little bit further behind at this time than Florida is, but we anticipate there will be funds sent for there too and we are going to hold some for them.

Mr. Rogers. But, can you spend all of that out before the end of this fiscal year.

Mr. Craig Smith. I don't believe we can do that.

[Clerk's note. Subsequent to the hearing the following information was submitted: All of the requested funding for EDA, $93.9 million, will be obligated by September 30, 1993. Outlays are estimated at $9.4 million.]

EMERGENCY DESIGNATION

Mr. Rogers. How is this an emergency?

Mr. Craig Smith. It does take time to get things started.

Mr. Rogers. You don't have to have the money on hand to cover all potential applications. They can make applications but you don't have to have the money. You can't get it out there before the end of the year anyway, can you?

Mr. Craig Smith. We can get a great deal of it out there.

Mr. Rogers. We are talking about the extra $15 million you are requesting right now. How is this an emergency. You can't even spend it before the end of the year, can you?

Mr. CRAIG SMITH. It will not be outlayed before the end of the year.

Mr. ROGERS. Of the total $94 million request, you target $15 million to Defense conversion. Do you currently have unobligated money which can be used for defense conversion?

Mr. CRAIG SMITH. The Defense Department transferred to EDA $50 million, of which we have awarded 15 projects for approximately $17 million. We have 17 additional projects we are looking at for $37 million and are looking at additional projects over and above the $50 million.

Mr. ROGERS. What have you got currently in requests?

Mr. CRAIG SMITH. We have over $54 million in requests.

Mr. ROGERS. You are asking for another $15 million urgent emergency spending. You can't conceivably spend all this money by the end of this fiscal year, can you?

Mr. CRAIG SMITH. We can start working on that and while applications are being developed, some funds will be going out. These are to respond to the communities that are being impacted as soon as the Defense announcements are made.

Mr. ROGERS. You have earmarked $15 for L.A., $15 for hurricanes, and $15 for Defense conversion, for a total of $45 million. That leaves almost $49 million. Is that for the rest of the country?

Mr. CRAIG SMITH. That is for accelerating our regular program and to get those projects started within 120 days.

Mr. ROGERS. Therefore half earmarked for those specific areas and half for the rest of the country?

Mr. CRAIG SMITH. Yes, that is correct.

MINORITY BUSINESS DEVELOPMENT

Mr. ROGERS. Now, Director Young, as I understand your request, you are requesting funding to keep you from laying off 55 employees in your Washington and regional offices. Is that correct?

Ms. YOUNG. That is right.

Mr. ROGERS. How does this emergency request create jobs. I understand you are perhaps saving jobs. But the purpose of this stimulus package is to create more jobs. How does your request fulfill this purpose?

Ms. YOUNG. Mr. Rogers, let me point out to you that last year we created 3,600 new jobs. We have program monitors and project monitors and when these project monitors are able to go out in the field and monitor the Minority's Business Development Center which we fund out there, that assures us of opportunities for minorities and through these centers we create jobs because new businesses are started and people are hired to work in these businesses.

Mr. ROGERS. Well now, last month you requested a transfer of $959,000 to avoid these layoffs; is that right?

Ms. YOUNG. Right.

Mr. ROGERS. Now your request has suddenly doubled. Now, a month later, it is going to cost twice as much to keep those people from being laid off. How can you justify that?

Ms. YOUNG. Giving us the rest of this money is only a restoration to our base.

[CLERK'S NOTE.—Subsequent to the hearing the Department of Commerce submitted the following information: The $2 million provides $959,000 to maintain current staff and $1,031,000 to plan for a revitalized MBDA.]

Mr. ROGERS. Well, as I said, last month you asked for half this amount. How did we lose so much in a month's time?

Ms. YOUNG. You mean how did we increase?

Mr. ROGERS. Yes. You doubled your request from a month ago for the same problem.

Ms. YOUNG. Well, when we went back and looked at how much we—we wanted—this time we gave you what we really needed.

Mr. ROGERS. What did you give us last time?

Ms. YOUNG. We gave you $900 and some odd thousand dollars, but when we—when that package was denied and we reworked the package, we put down everything that we would need to further our program now and invest toward future activities under the Clinton——

Mr. ROGERS. I see. Much of this request is not really an emergency.

Ms. YOUNG. Everything that we asked you for in the package we see it as an emergency, and let me tell you why. When you are talking about RIFing people, that is an emergency. When you are talking about project monitors not being able to monitor the projects of funded organizations that we fund, which could cause MBDA to be on high risk, we see that as an emergency. When we fund State and local conferences around the country, and our program managers here at headquarters cannot go out to monitor those projects or even to look at the other projects out in the field, that to us is an emergency.

When employees participate in conferences and a hundred and some odd thousand folk are directed to MBDCs, which eventually create new businesses, because we are the only agency funded to assist minority businesses, but when those folk are able to go to these conferences, talk with our people, directed to our Nationwide network of MBDCs, get in business, receive other opportunities and jobs come from that, we see having this money as an emergency.

Mr. ROGERS. Mr. Chairman, I think everyone's view is that we want to see the economy stimulated and people put back to work. This is a common desire we all have. However, at this point in time, we are throwing money so rapidly and quickly into the till here without any real thought, that it gives me a great deal of pause.

I think we are going to see a lot of this money just wasted. I don't think we can spend it that quickly and efficiently enough.

ECONOMIC DEVELOPMENT

Mr. SMITH of Iowa. I have one more question for EDA. Will these earmarks of $15 million for L.A., another $15 for these hurricanes and another $15 for Defense-related transition—will that be disbursed under your regular rules and regulations?

Mr. CRAIG SMITH. Yes. We will make every endeavor to accelerate our program.

Mr. SMITH of Iowa. It is not creating new disaster assistance programs.

Mr. CRAIG SMITH. No, and we are not adding new staff.

Mr. SMITH of Iowa. Okay, thank you all.

SUBCOMMITTEE ON THE DEPARTMENT OF DEFENSE

JOHN P. MURTHA, Pennsylvania, *Chairman*

NORMAN D. DICKS, Washington	JOSEPH M. McDADE, Pennsylvania
CHARLES WILSON, Texas	C.W. BILL YOUNG, Florida
W.G. (BILL) HEFNER, North Carolina	BOB LIVINGSTON, Louisiana
MARTIN OLAV SABO, Minnesota	JERRY LEWIS, California
JULIAN C. DIXON, California	JOE SKEEN, New Mexico
PETER J. VISCLOSKY, Indiana	
GEORGE (BUDDY) DARDEN, Georgia	

DONALD E. RICHBOURG, J. DAVID WILLSON, JOHN G. PLASHAL, ROBERT V. DAVIS, SANDRA A. GILBERT, DAVID F. KILIAN, ALICIA JONES, JULIET PACQUING, TIMOTHY L. PETERSON, GREGORY J. WALTERS, DAVID W. ROBERTS, and MARCIA L. MATTS, *Staff Assistants;* LEE ANN LEHNER and MICHELE PENDELTON, *Administrative Aides*

TUESDAY, FEBRUARY 23, 1993.

FEDERAL ENERGY MANAGEMENT PROGRAM

WITNESS

JEFFREY A. JONES, ACTING DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR LOGISTICS

INTRODUCTION

Mr. MURTHA. The Committee will come to order.

Mr. Jeffrey Jones, Acting Deputy Assistant Secretary of Defense for Logistics is here to talk to us today about the request for supplemental funds for energy efficiency projects contained in the Administration's economic stimulus package.

Please summarize your statement and submit your biography for the record. We have a few questions for you afterwards. Please proceed.

SUMMARY STATEMENT OF MR. JONES

Mr. JONES. Thank you, Mr. Chairman.

This hearing is somewhat of a surprise to me. It certainly is a delight to be here to discuss the potential for DOD to utilize an increase in appropriations for energy conservation projects as part of the President's economic stimulus package.

The statement I have prepared is really very short. It might be useful for me to read the few paragraphs in it.

The Department has a strong commitment to energy conservation and has a program to implement the requirements of Title X and other legislation to reduce energy use in the Department's facilities. Our programs are prepared to put the stimulus package to work immediately.

Because of engineering and survey work done under the Department's energy program, the military departments all have a backlog of unfunded rapid payback energy conservation projects at the installation level, which are being reviewed and prioritized for execution, if and when such funds become available. We have a good track record on these projects. In fiscal year 1991, Congress provided $10 million in construction funds for energy projects. After screening a number of promising candidates, the selected projects showed an estimated payback of over $100 million—better than a 10 to 1 simple payback. In fiscal year 1992, we used $36 million in funds for projects with over $230 million in life cycle paybacks. In fiscal year 1993, we have notified Congress of about $50 million in projects with paybacks of $207 million.

Some of the proposed $5.5 million in funding would likely be used for architect and engineering work for project design. This has been one of the Department's most pressing needs as we accelerate the energy conservation initiative. Using these funds for A&E services could help quickly to increase the number of professional engineers working to reduce DOD energy use and cost. We feel this would be a valuable application of these funds, both for DOD and for the private economy.

We would encourage the Committee to act on the President's request at the earliest practicable date to allow for the most orderly execution of the funds for the greatest benefit.

I would be pleased to answer any questions the Committee may have.

[The statement and biographical sketch of Mr. Jones follows:]

Statement before the

House Committee on Appropriations

Subcommittee on Defense

February 23, 1993

Jeffrey A. Jones
Director, Materiel and Resource Management Policy
Acting Deputy Assistant Secretary of Defense (Logistics)

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to appear before you to discuss the potential for the Department to utilize an increase in appropriations for Defense Department energy projects as part of the President's economic stimulus package.

The Department has a strong commitment to energy conservation and has a program to implement requirements of Title 10 and other legislation to reduce energy use in the Department's facilities. Our programs are prepared to put the stimulus package to work immediately.

Because of engineering and survey work under the Department's energy program, the Military Departments all have a backlog of unfunded rapid payback (5 years or less) energy conservation projects at the installation level which are being reviewed and prioritized for execution, if and when such funds became available. We have a good track record on these projects. In FY91, Congress provided $10 million in construction funds for energy projects. After screening a number of promising candidates, the selected projects showed an estimated payback of over $100 million--better than a 10 to one simple payback. In FY92 DoD utilized $36 million in funds for projects with over $230 million in life cycle paybacks. In FY93 we have notified the Congress of about $50 million in projects with paybacks of $207 million.

Some of the proposed $5.5 million in funding would likely be used for architect and engineering work for project design. This has been one of the Department's most pressing needs as we accelerate the energy conservation program. Using these funds for A&E services could help quickly to increase the number of professional engineers working to reduce DoD energy use and cost. We feel this would be a valuable application of these funds, both for DoD, and for the private economy.

We would encourage the Committee to act on the President's request at the earliest practicable date to allow for the most orderly execution of the funds for the greatest benefit.

I would be pleased to answer any questions the Committee may have.

BIOGRAPHICAL SKETCH
Jeffrey A. Jones

Mr. Jones currently serves as Acting Deputy Assistant Secretary of Defense (Logistics) and
Director, Materiel and Resource Management Policy
Office of the Assistant Secretary of Defense (Production and Logistics)
United States Department of Defense

His present responsibilities include setting overall policy for the Military components of the Department, representing the Department's views to the Congress and the public, representing the United States in various international arenas, including NATO, and coordinating Department programs for logistics activities, including:

- Supply and distribution
- Transportation
- Maintenance
- Energy resource management
- Business operations of DoD Commissaries and Exchanges

During the past four years he has testified in numerous hearings on logistics matters and is a recognized expert in military logistics and energy policy. In his capacity as Director, Materiel and Resource Management Policy, Mr. Jones has responsibilities for broad areas of logistics business management improvement. Prior to his assignment as Director, Materiel and Resource Management Policy, he served as the Department's Director, Energy Policy, for eight years.

Mr. Jones completed the resident national security course of the Industrial College of the Armed Forces in July 1984, assuming his current post shortly thereafter. Prior to ICAF, Mr. Jones served as Deputy Director, Supply Operations, at the Defense Fuel Supply Center, with worldwide responsibilities for military petroleum supply and storage operations.

From 1979-1981 Mr. Jones held positions with the Headquarters, U.S. Air Force, having responsibility for supply, equipment and property management and disposal policy.

He joined the Federal Civil Service in 1973 and until 1979 served as a supply systems analyst with the Air Force, developing policies and systems for improved management, materiel and financial accounting.

He graduated from the University of California with a Bachelors degree in 1968 and obtained a Masters degree the following year. He lectured in the liberal arts at the University from 1969 to 1973. Mr. Jones is married and has one daughter.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President
The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

FEDERAL ENERGY MANAGEMENT PROGRAM

DEPARTMENT OF DEFENSE

OPERATION AND MAINTENANCE

Operation and Maintenance, Defense Agencies

(TRANSFER OF FUNDS)

For an additional amount for "Operation and maintenance, Defense Agencies," $5,541,000 to be used for additional projects to improve energy efficiency: Provided, That the Secretary of Defense may transfer the funds appropriated in this paragraph to other appropriations available to the Department of Defense: Provided further, That the amounts transferred shall be available for the same purposes as the appropriations to which transferred: Provided further, That the authority to make transfers pursuant to this provision is in addition to any other transfer authority of the Department of Defense.

ENERGY CONSERVATION PROJECTS

Mr. **Murtha**. I assume that one of the criteria for these projects is that they are ready to go? I can think of all kinds of things that you could have come forward with which were in the process of developing, like alternative energy for automobiles, for example.

But these projects, I assume, are already designed, ready to go out for bid; and I assume will have an impact within the next year. Is that an accurate description of it?

Mr. **Jones**. It is pretty close. Mr. Chairman, we have several categories of projects. We have some that are designed and ready to go. Some of those are projects designed with money from last year.

We have projects that are 5 percent designed—some percentage of design and which need further design to complete. We have some that we will have to start from scratch. We would apply this money to where we could execute it as quickly as we could and get it obligated quickly.

Mr. **Murtha**. When you say "quickly as we could," do you really believe you can execute these funds within a year?

Mr. **Jones**. Yes, I do. I am convinced we can.

Mr. **Murtha**. All right. I want to welcome our two new Members today. I want you to know these are not usually the sums we deal with in a hearing. Welcome to both of you. I look forward to working with you. Mr. Visclosky, do you have questions?

Mr. **Visclosky**. I do not at this time, Mr. Chairman.

Mr. **Murtha**. Mr. Livingston.

EMERGENCY DESIGNATION

Mr. **Livingston**. Thank you, Mr. Chairman. I also want to welcome our new Members.

I want to tell the Committee how overwhelmed I am that we are responding so quickly with this emergency. I think it is profound. I might even say profane.

I understand this is an emergency and that this funding that we are about to produce is going to create at least 24 jobs, 24 jobs at this time of great straits for this country, at an average cost of about $235,875 dollars per job, which is not bad business if you can get it.

Mr. Chairman, I have to say I am very concerned about this emergency, especially since this money—all $5 million of it—is added in at this time when this President has called for an emergency stimulus to the economy and in view of the fact that only six months ago, Congress added $60 million over the budget for essentially the same purpose, some five months ago or six months ago. Anyway, I would like to ask the gentleman, if he knows, why the administration didn't request funds for Somalia designated as an emergency in the bill?

Mr. **Jones**. Mr. Livingston, I don't think that is the purpose of the bill. I think the purpose of the bill is to bring jobs to America. I am not sure what that would have done in the case that you mentioned.

I don't know where you got your figures on 24 jobs. I am not here to defend the specific amount of money or the amount of jobs it will create—$240,000 is a lot for a job.

I would say one of our most critical problems when executing the Defense Energy program has been the lack of engineering skill and talent we can put on project design to execute—$5 million goes a long way in hiring architect and engineering services, and putting professional people to work on this problem. It is a national problem. The Defense Department is 70 percent of the Federal energy resource requirement for energy. I think anything we can do to reduce that is in the taxpayer's interest.

Mr. LIVINGSTON. I will concede. I will say my figures are doubled. Instead of $230,000 per job, this will create jobs at $115,000 per job; and commend the Department for its response to this emergency by creating 48 jobs under those conditions.

Let me simply also add this Committee did travel to Somalia just a few weeks ago and that the armed forces of the United States responded to their emergency in Somalia, which I consider to be a real emergency, in tremendous fashion at great costs. I really am surprised that the Administration hasn't seen fit to come forth and try to fund the extra costs incurred because of that emergency.

But last fall, we provided about a billion dollars in disaster relief funding through the Department of Defense to deal with Hurricane Andrew and Typhoon Omar in Guam, Congress designated those funds as emergency, but the past Administration failed to so designate those funds.

Will the Clinton administration redesignate those disaster funds as emergency with the idea that, perhaps, a hurricane is an emergency every bit as much as energy efficiency is?

Mr. JONES. I am afraid I don't know the answer to that.

Mr. LIVINGSTON. Mr. Chairman, we have great camaraderie on this Committee. I enjoy working with you and all the Members of this Committee and all the staff.

I have to say I am embarrassed that we would have this request. I think this is a ridiculous request. I do intend to vote against it.

Mr. MURTHA. As you know, the previous administration sent us a supplemental which had some provisions which did not satisfy us. We will get another supplemental request later on—possibly next month—from the information I have. Mr. Dicks?

CONTRACTING OUT CONSTRUCTION WORK

Mr. DICKS. Let me ask you something. We were looking at some of these issues in the Interior Appropriations Subcommittee. The Department of Energy has a conservation program. How much do you think we spend a year on energy for the executive branch?

Mr. JONES. The DOD facilities bill is $3 billion for facilities alone, and that is 70 percent. So I think about $5.2 billion for the Federal Government for facilities.

That is excluding aircraft, ships—military operations.

Mr. DICKS. For facilities—those numbers are correct. It is estimated we can save a billion dollars a year—which, even over at the Defense Department, is significant money—if we had a comprehensive energy program.

Now my question is, will a comprehensive energy program ever be accomplished just using government bureaucracy; or would it be better—the Department of Defense always likes to contract things out—to contract this out to be done by the private sector?

In some cases, you have companies today that earn a return by the energy savings that are achieved from the utilities, which might minimize the investment that is required by the government in terms of the personnel, materials, facilities or fixing facilities and hire a company. The company will come in, they review current programs and will make recommendations to save energy.

You might have to pay them something, obviously; but the price would be far less, the contracted work could accomplish more, quicker, and create more jobs in the real world than doing it via a government bureaucracy. You know, I am for this program. Why not do it with the private sector?

Mr. JONES. I agree. That is how we are doing it, Mr. Dicks. We do not construct much of anything in-house. We contract it out.

As a matter of fact, in my opinion, one of the greatest opportunities the federal government has is working with shared savings and utility companies that have demand-side management programs that are also being implemented in many cases by private sector contractors.

We have come to the Congress and received legislative authority that is quite exceptional, that allows us to work with utilities almost on a noncompetitive basis within their franchise territories to let them do this kind of work.

We do not do the construction work ourselves. Some operations and maintenance work we do. But even a lot of that is contracted.

The Navy's programs for energy savings is almost entirely contracted out for example through the public works centers. We are doing this work under contract.

ENERGY SAVINGS

Mr. DICKS. How much do you estimate you could save if you had a comprehensive program?

Mr. JONES. Right now we are committed, in the existing program that is under the executive order of the former Administration, to a 20 percent reduction, which is—this is complicated. I will explain it in a second. It is $238 million savings through fiscal year 1997 which is a net one-third of the total savings.

There is a provision of the law that says, of the savings we generate, two-thirds may be retained by the Department for reinvestment. You have to multiply by three to come up with the amount of savings we are currently on target to produce by fiscal year 1997.

We could increase that substantially.

Mr. DICKS. Let's say you have a major facility, Fort Lewis, Washington—for example or Puget Sound Naval Shipyard in Washington, how do you decide what to do, how to do it; how do you proceed?

Mr. JONES. Take Fort Lewis, for example. It is a particularly difficult example because of the hundreds and hundreds of wooden buildings there. The major principle we operate under is, we hire a contractor to do an engineering study of the base and identify those high profile targets. We don't go after every target. We probably couldn't afford to. We go after the largest energy-consuming facilities, target those, do design work on the improvements that need to be made in those facilities. That is basically the way we approach it.

The same would be the case in other parts of Puget Sound. In some cases, we work with the local utilities, Tacoma Power and Light and others, to work on on-site management. Fort Lewis, of course, has an agreement with Tacoma on that particular subject.

Mr. MURTHA. Mr. Darden, any questions?

Mr. DARDEN. No questions.

Mr. MURTHA. Any other questions may be submitted for the record, and if you will, please answer them for the Committee's files.

Mr. McDade, as you know, is recuperating and will not be here and Mr. Young will not be here. If he has reservations, we can reconvene. The Committee will now have a markup of the Supplemental requests. Do we have a quorum? We are waiting on Mr. Dixon. We need one more Member for a quorum.

SUPPLEMENTAL REQUEST

Mr. VISCLOSKY. Mr. Chairman, since we are waiting, might I address a question?

Mr. MURTHA. Yes.

Mr. VISCLOSKY. If I could, so I have an understanding as to what the request is for, you mentioned in your testimony $5.5 million. I am looking at the sheet I am holding here. I don't understand how my figures are adding up in terms of the Department of Energy.

Your request is simply for the Department of Defense; is that correct?

Mr. JONES. Operations and maintenance, Defense Agencies appropriations. As you know, there was a new energy bill last year. We worked with the Department of Energy. We have a cooperative effort in implementing that bill. This is in support of that.

Mr. MURTHA. Mr. Livingston?

Mr. LIVINGSTON. Which project is this for? Which specific building?

Mr. JONES. Mr. Livingston, I can't tell you which specific building. We have lots of projects in the smaller category. We would rank them on the best payback. We got this information yesterday.

Mr. LIVINGSTON. We know it is an emergency. We just don't know which emergency for $5 million on top of the $60 million.

Where did you get it yesterday?

Mr. JONES. I am sorry?

Mr. LIVINGSTON. You said, "we just got it yesterday." I wondered where you got it from yesterday.

Mr. JONES. Mr. Livingston, I don't mean to be flip, but I haven't the slightest idea. It appeared on my desk. I walked in from a meeting; there it was. It was in draft. It appeared.

Mr. LIVINGSTON. Did you get it from the Secretary of Defense? The White House?

Mr. JONES. The Secretary of Defense was in the hospital yesterday.

Mr. LIVINGSTON. Did you get it from the Defense Department? The White House? Did it have a White House stamp on it?

Mr. JONES. It came through official channels. But I received a copy before it came through official channels.

Mr. LIVINGSTON. Who sent that copy?

Mr. JONES. I don't know.

Mr. LIVINGSTON. We know it is an emergency, but we don't know who authorized the emergency?

Mr. JONES. We certainly do. The President authorized it. It was submitted by Mr. Panetta. We know exactly where it came from.

Mr. LIVINGSTON. That is what I asked, sir. I am trying to find out who authorized it. You said Mr. Panetta authorized you to come here because there is an emergency?

Mr. JONES. That is correct, essentially, if you knock out the intervening steps.

Mr. LIVINGSTON. Mr. Aspin, the Secretary of Defense, is in the hospital. Nobody in the Pentagon asked you to be here?

Mr. JONES. That's not true. Mr. Aspin is in the hospital, but someone from the Pentagon did ask me to be here.

Mr. LIVINGSTON. Who?

Mr. JONES. Who?

Mr. LIVINGSTON. Who?

Mr. JONES. His legislative assistant.

Mr. LIVINGSTON. Who is that?

Mr. JONES. Do we need to go into names here?

Mr. LIVINGSTON. Yes.

Mr. JONES. I am not sure where this is leading.

Mr. LIVINGSTON. I just asked him who asked him to be here. He said he got a note with no name on it. Now he said somebody asked him to be here. I am curious as to who.

Mr. MURTHA. I asked for a witness to justify this request. We didn't think there was anything at all for Defense until Friday when the Committee said there was a request for $5.5 million. It was partly our fault. We said that we needed a witness over here as quickly as possible to address this.

Mr. LIVINGSTON. Mr. Chairman, I am not trying to put the witness on the spot. I am just trying to find out where the emergency came from.

Mr. DICKS. You are referring to the budget act, aren't you? That has been declared by the President of the United States. Mr. Clinton has declared an emergency in order to get around the budget agreement.

Mr. LIVINGSTON. I appreciate the gentleman. I thought we would have a witness to enlighten me. I just don't understand, if this is an emergency and the witness just testified he doesn't know which emergency because they don't know which building they will put these repairs in, so obviously it can't be too exigent an emergency.

Who has declared this to be an emergency, specifically? Les Aspin is in the hospital.

Mr. JONES. I think this is an unfair characterization of the process. What we are here to do is to explain the substance.

Why did I come here? As the Chairman indicated, I came here to explain and assure this Committee that we could put this funding to use for the purposes for which the President said he intended to use the entire package of stimulus that is going into it. The entire package. Not piece by piece.

Mr. LIVINGSTON. Would you be specific and answer my question. Who made this an emergency?

Mr. JONES. Who made this an emergency? The President of the United States indicated in his speech on the 17th of February that he was going to have a stimulus package.

Mr. LIVINGSTON. He did not say anything about a $5 million expenditure on improving the heat efficiency of buildings in the Defense Department. He didn't say a word about it. He didn't mention the line item veto either.

What I want to ask you is, who is responsible for making this an emergency? Who?

Mr. JONES. Mr. Panetta made the decisions that you see in the letters that are going to all the Committees of the Congress that are specifically requesting increments of the stimulus package. This is one increment of the entire package.

Mr. LIVINGSTON. Nobody in the Defense Department made this an emergency. Mr. Panetta, who is the director of the Office of Management and Budget, made this an emergency?

Mr. MURTHA. May I try to clarify it? I understand what the gentleman is getting at. We were just over at the Interior Subcommittee. I don't know that any of these issues fall in the category of emergency when it comes to a situation like Hurricane Andrew or Somalia. But I do think, with the fact you are trying to stimulate the economy, they fall within the idea that these projects are ready to go, they will save money; they will put people to work; and, in the President's estimation, this is what is needed.

Mr. DICKS. Will the gentleman yield?

I think the statement here is extraordinarily good on this point. It says we have a good track record on these projects. "In 1991 we were provided $10 million dollars for construction funds for energy projects. After screening a number of promising candidates, the selected projects showed an estimated payback of over $100 million—better than a 10 to one simple payback."

In terms of the energy conservation achieved: "In fiscal year 1992 DoD utilized $36 million in funds for projects with over $230 million in life cycle paybacks. In fiscal year 1993, we notified the Congress of about $50 million in projects with paybacks of over $207 million dollars."

I guess my point is, this is a good investment. I think the previous administration took the lead on this and thought this was an important endeavor to save energy and to create—some jobs.

I think this request is aligned with two very good principles that have been established. I don't think the money will be wasted.

Mr. LIVINGSTON. Will the gentleman yield?

Mr. DICKS. Of course.

Mr. LIVINGSTON. I will concede the gentleman's point that energy conservation is always a good investment. This has a greater priority over Somalia. It has a greater priority over Hurricane Andrew. And I question whether or not anybody is really, seriously giving attention as to whether this should be in this emergency bill.

Mr. DICKS. Mr. Jones is clearly not the witness we should direct that question to, in my judgment. We have to ask Mr. Panetta or the President or the Secretary of Defense.

Mr. MURTHA. Without objection, we are going to proceed to markup, and if Bill Young has an objection, we will reconvene.

Mr. LEWIS. Mr. Chairman, if I could, just for the record? I would point out there were some people meeting regarding—this process—and some Republicans—suggest the minority has a right, under the rules, to call for a full day of hearings themselves on individual items before individual subcommittees.

Mr. MURTHA. Mr. Dicks do you have a motion?

Mr. DICKS. Mr. Chairman, I move that we approve the request by the Department of Defense for $5 million for this important project.

Mr. LIVINGSTON. Division, Mr. Chairman.

Mr. MURTHA. Those in favor, raise your right hand.

Opposed?

Four yeas to two nays. We will wait on Bill Young. If he has objection, we will reconvene and assume a quorum is present.

Thank you very much. The Committee is now adjourned.

SUBCOMMITTEE ON DISTRICT OF COLUMBIA APPROPRIATIONS

JULIAN C. DIXON, California, *Chairman*

LOUIS STOKES, Ohio	JAMES T. WALSH, New York
RICHARD J. DURBIN, Illinois	ERNEST J. ISTOOK, Jr., Oklahoma
MARCY KAPTUR, Ohio	HENRY BONILLA, Texas
DAVID E. SKAGGS, Colorado	
NANCY PELOSI, California	

AMERICO S. MICONI, *Staff Assistant*

TUESDAY, FEBRUARY 23, 1993.

DISTRICT OF COLUMBIA SUPPLEMENTAL FOR FISCAL YEAR 1993

WITNESSES

HON. ELEANOR HOLMES NORTON, DELEGATE FROM THE DISTRICT OF COLUMBIA, U.S. HOUSE OF REPRESENTATIVES

HON. SHARON PRATT KELLY, MAYOR OF THE DISTRICT OF COLUMBIA

HON. JOHN A. WILSON, CHAIRMAN, COUNCIL OF THE DISTRICT OF COLUMBIA

HON. ELLEN M. O'CONNOR, DEPUTY MAYOR FOR FINANCIAL MANAGEMENT AND CHIEF FINANCIAL OFFICER FOR THE DISTRICT OF COLUMBIA

CHAIRMAN'S INTRODUCTORY REMARKS

Mr. DIXON. The Subcommittee on District of Columbia Appropriations will come to order.

This is our first meeting for this new session of Congress and we have before the Committee the elected leadership of the District of Columbia to discuss the President's fiscal year 1993 economic stimulus supplemental of $28,177,000 for the District.

Before we get to that, I want to take this opportunity to welcome the Members to our subcommittee.

Louis Stokes of Ohio—Lou and I are the only returning members; Richard Durbin of Illinois, Marcy Kaptur of Ohio, David Skaggs of Colorado, and Nancy Pelosi of California. And on the Republican side, we have James Walsh of New York, who is our new ranking member, Ernest Istook of Oklahoma, and Henry Bonilla of Texas.

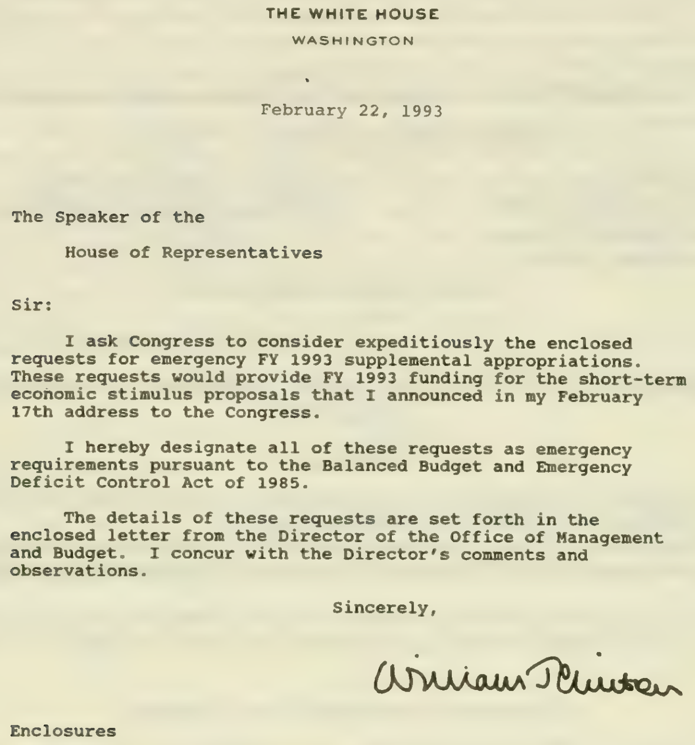
I want to extend a very warm welcome to each of you and want you to know that I appreciate your taking this assignment. I certainly look forward to working with you in the coming weeks and months ahead.

The absence of some Members here today is because there are several meetings going on simultaneously.

PRESIDENT'S SUPPLEMENTAL REQUEST

At this point in the record we will insert that part of the President's request that relates to the District of Columbia.

[The excerpt from House Document 103-50 referred to follows:]



THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

FY 1993 STIMULUS PROPOSALS

(in millions of dollars)

FUNCTION	SELECTED STIMULUS PROPOSALS	BUDGET AUTHORITY	OBLIGATIONS	OUTLAYS
	Health and Human Services			
650	Social Security Admin.: Disability insurance (DI) processing	---	302	302
550	National Institutes of Health:			
	Networking and computer applications	9	9	6
	Treasury			
800	Treasury: Accelerate tax system modernization	148	148	104
	Other agencies			
250	NASA: Networking and computer applications	5	4	3
250	National Science Foundation (NSF):			
	Research and development	188	150	85
	Networking and computer applications	19	15	8
	SUBTOTAL, TECHNOLOGY INVESTMENTS	631	815	622
	URBAN DEVELOPMENT AND HOUSING INITIATIVE			
370	Economic Development Administration	94	94	9
370	Minority Business and Development Administration	2	2	1
	Housing & Urban Development			
600	Accelerate home investment partnership	---	---	---
600	Accelerate public housing modernization	---	---	83
450	Community development block grants	2,536	2,536	659
600	Supportive housing program	423	423	127
	Other Agencies			
800	District of Columbia	28	28	28
	SUBTOTAL, URBAN DEVELOPMENT	3,083	3,083	907

DISTRICT OF COLUMBIA GOVERNMENT

Federal Payment to the District of Columbia

For an additional amount for "Federal payment to the District of Columbia" to provide for essential public safety, health and other municipal services in the face of its financial crisis, $28,177,000, to remain available until expended.

This supplemental request would provide funds to help the District of Columbia cover an estimated $300 million deficit for FY 1993.

The request would result in increased obligations and outlays of $28 million in FY 1993.

SUPPLEMENTAL REQUEST FOR 1993

Mr. DIXON. As I mentioned a moment ago the President in his economic stimulus package has requested $28,177,000 for District of Columbia, and it is my intention today to ask the Mayor and the Chairman of the City Council what they intend to do with those funds.

Before I do that, I want to state for the record that the Delegate from the District of Columbia, Eleanor Holmes Norton, has been very active in seeing that the District's interests have been protected. She sent me a letter some time ago urging the Committee to include $30 million in a supplemental and to lift two legislative prohibitions.

I would say that I don't know whether we can lift those prohibitions in this particular bill. It is the desire of the Full Committee Chairman, Mr. Natcher, that we adhere as closely as possible to the President's request. I know there will be some urging by witnesses today for the Committee to lift those prohibitions, and I personally am in favor of doing that, but we cannot do it at this particular time. It may happen in Full Committee after I discuss it with Mr. Natcher.

With that, I would call on our Ranking Member, Mr. Walsh, if he wants to make any comments or an opening statement, to certainly feel free to do so. And then I will call on Delegate Eleanor Holmes Norton, and then the Mayor and the Council Chairman, John Wilson.

OPENING REMARKS OF CONGRESSMAN WALSH

Mr. WALSH. Thank you, Mr. Chairman. I am obviously very pleased to be working with such a distinguished and respected Member of the Congress. I will do my best to work closely with you to fulfill our constitutional obligations in regard to the District of Columbia.

I would also like to welcome Mayor Kelly, Chairman Wilson, Delegate Norton. And to all of you I extend my wish for cooperation in supporting your efforts.

I come from city government. Before I came to Washington I was involved in city government in Syracuse for 20 years, so I have an understanding on a smaller scale of what you are up against. I sympathize with you and I will try to be—and I am sure that the other minority members of the committee will try to be—supportive whenever we can.

Let me say, Mr. Chairman, that we on our side are somewhat concerned by the hurried manner in which we are brought to this appropriations process. We have not had adequate time to review or prepare, and, hopefully, this hearing will bring out some of the important details.

President Clinton offered a $30 billion stimulus package to spur the economy. Upon review of the President's request we find $28 million has been earmarked for the District under urban development and housing initiatives. The language states that additional funds be paid to the District of Columbia to provide for essential public safety, health and other municipal services, to remain available until expended.

I have several questions regarding this broad language that I will ask later. However, my question at present is, is this the money that the District lost in the appropriations process last year? And, if so, does that invalidate the normal budget process?

President Clinton is talking about job creation. Yet the money set aside for the District does not spell out job creation. What I read here is free money. I certainly hope that this is not an indication of what to expect in the future.

Also, I would like to see a provision requiring—I guess we will do this in markup—requiring the $28 million to remain available for obligation until the end of fiscal year 1993 instead of available until expended. If it is meant to affect a weak economy let us use it while the economy is weak. I feel it is imperative that sufficient language be included.

In my review of other agencies receiving funds, they all are required to use it or lose it by the end of 1993. I understand that Mayor Kelly plans to use this money for youth initiatives and programs of this nature, and I applaud that. I hope the Mayor will be specific about how these funds will benefit the youth in the District, and I also hope the Mayor plans to provide myself and my colleagues with a detailed outline of those children that benefit from these monies in the months to come.

EMPLOYMENT OF DISTRICT'S YOUTH

I hope that the District, given this windfall of funds, will be able to employ a larger number of the city's youth. Health and safety is also mentioned, and, again, I would like to see that the monies put here for the District's use be effectively utilized in this area.

Since we obviously have no real effective means in preventing this expenditure I would hope these emergency funds to the District are used to benefit those most in need.

Mr. DIXON. Thank you, Mr. Walsh.

At this point I would call on the Delegate to the District, Eleanor Holmes Norton. If you have a prepared statement, we will be pleased to receive it for the record. If you have some comments you would like to make, the Committee would be pleased to hear them at this time. And I would also ask you to introduce our two distinguished District leaders here today.

STATEMENT OF DELEGATE ELEANOR HOLMES NORTON

Ms. NORTON. Thank you, Mr. Chairman. I look forward to not only working with you, as I have in the past, and I am grateful you are once again chairing this committee, Mr. Chairman, but also to working with the new members of this committee who bring considerable experience in problems not unlike those the District of Columbia faces.

Mr. Chairman, first, let me thank you for your aggressive action and efforts in behalf of the District.

ORIGIN OF STIMULUS PACKAGE

If I may, I would like to take two minutes to say on the record the origin of this stimulus package. It appears in the President's stimulus but I must say, Mr. Chairman, it is not his idea. This is an idea that was Chairman Dixon's idea, and, as defined by the Chairman, it fits the classic definition of stimulus because it invests in children and youth. As the Chairman envisioned it, it invested in youth and in other ways sought to allay crime that comes out of failure to invest in young people.

DEFINITION OF GENERAL REVENUES

Last session the Congress and the GAO disputed some funds that the District had included as general revenues. Mr. Chairman, just let me say that I know it put you in a difficult position, and I am working in the District committee now to see that that problem does not arise again and that the number that the District is relying upon is the same number that the President uses, and, thus, when it gets to this committee, that there is not the problem encountered last year.

But, arising out of that dispute, there was a precipitous loss of $30 million. Due only to the Chairman's initiative, that $30 million was restored in the House. That $30 million was lost not because of any action of this committee or the Congress but because of a threatened veto. This veto did not single out the District. A number of other appropriations were involved because the amount that the Congress had designated for them was over and above what the President had recommended.

The Chairman then took action to recoup the lost funds. I was sure that the Chairman would try to do that during this session as well. Nevertheless, I wrote you and sent a copy to the administration. I sent a copy to the administration for a very specific reason, Mr. Chairman, and that is that Chairman Brock Adams was not able to do in the Senate what you had been able to do in the House, and, thus, a painful precedent might have been set, a precedent that was the best that Senator Adams could do. It would have required part of the Federal contribution to the pension fund to be used to match the $30 million that you had gotten free and clear of that fund in the House.

SIX PERCENT CUT IN ECONOMIC STIMULUS PROPOSALS

Vice President Gore informed me when I came with a number of other Members to be briefed by the President on his economic package that that money would be included in his stimulus package. As it turned out, there was a 6 percent cut, and I was informed that that was an across-the-board cut for all parts of the stimulus package.

I do want the record to show, however, that we would not be here today discussing $28.2 million if the Chairman had not taken action last session to restore money that had fallen out of the budget through no fault of this committee's.

The District is going through a very painful budget-cutting process, much of it, like the process in other cities, driven by the longest recession since World War II.

INTRODUCTION OF MAYOR AND COUNCIL CHAIRMAN

It is a very special pleasure to present to the committee the two leading local elected public officials who are struggling very skill-fully under the weight of this burden to present to the committee a balanced budget. Mayor Sharon Pratt Kelly and the Chairman of the City Council, John Wilson.

Mr. DIXON. Mayor Kelly.

OPENING STATEMENT OF MAYOR KELLY

Ms. KELLY. Thank you. Thank you, Mr. Chairman. I appreciate the chance to visit with you today.

Also, it is my good opportunity to visit with you, Congressman Walsh, Bonilla, and my great friend, Congresswoman Nancy Pelosi. And, of course, it is a privilege always to be introduced by our own Delegate, Eleanor Holmes Norton.

ELIMINATION OF PROHIBITIONS

And, if I might, even though you say it is not very probable now—I certainly hope it is probable. I certainly support her commitment to eliminate these prohibitions associated with our appropriations.

And, also, Mr. Chairman, it is good for me to have the chance to be here with my partner in this process because he and I together, the Chairman, John Wilson, have been struggling in deficits since we arrived in office in 1991.

But for the benefit of those who may not know, maybe I can just put it in perspective. At the time that the District of Columbia, which, of course, unlike any other place in the United States of America—we are a community, you probably know, where we pay Federal taxes, et cetera, and have had virtually no participation in this country's Constitution.

DISTRICT'S FINANCIAL DEFICITS

However, there came a time in 1975 when we got limited home rule. At the time we got that limited home rule, we were given—given—a $330 million deficit and a better than $2 billion unfunded pension responsibility to all of these employees.

These commitments had been created by the Federal Government, predating any existing government of the District of Columbia. But it was said to us that we should shoulder this full responsibility of all of these commitments established by the Federal Government well before our local government came into existence. And, I might add, no accompanying funds to go with this new responsibility.

That is how we began. Now, needless to say, all of these problems have been exacerbated by this extended recession that the Congresswoman Norton just spoke to. Because that unfunded pension responsibility now is closer to better than $3 billion and we have struggled to try to meet the obligations on a yearly basis.

The District of Columbia, at the time the Chairman and I took office in 1991, we walked through the door, and there was a $300-some million deficit as well. This time—heightened by the fact we, of course, had a deep recession as well.

LIMITED ABILITY TO CAPTURE REVENUES

But to compound the problem—as you probably also know, as a result of the home rule arrangement we are very limited in our ability to capture revenues like any other jurisdiction in the United States of America.

TAX EXEMPT PROPERTIES

As you probably also know, easily 40 some percent of our property is beyond any kind of tax because if the Federal Government doesn't own it, an international organization owns it. And if they don't own it, the university owns it. If they don't own it, a church owns it. And whatever is left is Red Cross and other sundry nonprofits. We, of course, cannot tax them.

[CLERK'S NOTE.—57.5 percent of the District's land area is tax exempt. See "Clerk's Note" on page 362.]

Even though their mission is national and international, it rarely contributes to—though we are privileged to have them here—contributes to the quality of life in the District of Columbia. And, traditionally, we do not tax not-for-profits because they are in that quid pro quo of their "contributing to the quality of life of a local community." That is not our regular experience.

TAXING INCOME AT SOURCE

Secondly, associated in this home rule arrangement was a further limitation. It said that the District of Columbia is in no way able to tax income at the source of the income. For most Americans that is a shocking realization, that here you are, you spend the money through your tax dollars to build roads and have police and have fire and emergency medical services, because, as you well know, we service easily a million and a half to two million people everyday. But even though it costs us money—$30 billion of personal income each and every year—62 percent of it is beyond our reach.

HIGH TAX RATES

Not surprisingly people talk about the District of Columbia not being always the most attractive environment in which to move because they say, oh my goodness, you have incredibly high tax rates. Not surprisingly, since we have an artificially high rate since we have to capture those taxes from such a small number of the universe. Because the universe we should be able to touch is, because of this home rule arrangement, beyond our reach.

But then everybody says, but, D.C., show that you can manage yourself well. Do what is fiscally responsible. I might add that Chairman John Wilson and I have a commitment to do that, borne out of the fact we have a commitment to the residents of the District of Columbia. But we are also held, of course, under a different kind of level of scrutiny than any other place in America as well, not to mention with our hands tied behind our backs.

POSITIONS ELIMINATED

The Chairman and I have taken some pretty austere steps since we have taken office. Two-thirds of everything we have done has been a result of reduction in expenditures. About 1400 people have been reduced from the payroll, easily 700-some funded positions, easily 2000 unfunded vacant positions have been eliminated in order not to allow people a place to hide, as well as some pretty severe cuts that have cost us handsomely politically as well.

We have tried our best to avoid any kind of tax increase in years past, but the recession continues. The problem remains.

1650 PEOPLE TO BE RIF'D

And so in this budget cycle, at least what I propose to the Council, is that we continue in better than two-thirds of the budget crisis being met by cuts as well. This time 1650 people are to be RIF'd from the payroll, just an across-the-board RIF, as well as achieving savings in a variety of areas that sometimes have been protected even beyond the District of Columbia.

SHIFT OF PRIORITIES

For example, the people of the District of Columbia have the same view as the President. They say we need to shift our priorities. We had a series of town meetings to engage them in the process. They said, start spending money on children. Do a better job in the educational system. See that there are more programs in terms of immunization and youth initiatives. Mayor Kelly, you may want to close recreational centers because you think it is a great idea. We don't think it is a great idea. You find another way to make it happen. Go to not-for-profits. Turn to them to free up administrative dollars. Go to not-for-profits, like police boys' and girls' clubs, to make the recreational centers work.

SUMMIT WITH BOARD OF EDUCATION

I heard them, and all of us heard them. The Chairman and I had a summit with all of the Board of Education. We fussed about the arrangement in home rule, about how they had one set of powers and we had another set of powers. The people of the District of Columbia said that was our personal problem. We were to figure it out.

TEACHERS' PAY RAISE AND POSITION CUTS

So we had a summit, and out of that summit came the following understanding: We would give the teachers a pay raise of 6 and a half percent this year, 4 and a half percent next year, and we would have no budget cuts to the Board of Education. But, at the same time, they had to have a commitment to reduce central administration and close 10 underutilized schools. It was their call as to what those schools might be, but that had to be a part of the deal.

And those 250 positions had to be cut which made—brought it up to—I said it was a partnership in every sense of the word—883 positions total reduction in terms of central administration of the schools. Again, to try to honor the commitment to the people of the District of Columbia as to where they want our priorities to be.

Also, we asked them, though, to consider where we could cut even in the areas of public safety without compromising the integrity of it.

FIRE DEPARTMENT CUTS

Let me give you a case in point of one area that has an aggressive lobby—fire—which undoubtedly would be a point of controversy. On average, when you call 911 and the fire trucks show up, you have a protocol, that somebody has to be a sergeant on one step of the ladder, somebody has to be a lieutenant on another step of the ladder. And, of course, if you live in an apartment, like many people, you don't have enough room to accommodate these many folks coming into your place.

We suggest this is an area where we could cut. There are areas of public safety that have been sacrosanct that could be cut to invest in our children.

This is where are we going. We think we are going in a responsible direction in keeping with where we have been since 1991.

USE OF $28 MILLION

What would we do with the $28 million? To move in the direction we just outlined in terms of initiatives that are in keeping with youth as well as responsibilities generally in the area of prevention and the public safety side.

FORMULA FEDERAL PAYMENT

But it is not a windfall. We spent a year—that is the Delegate, the Chairman and myself—talking to Congress about a Federal formula payment as a part of the process because of our inability to capture the revenues we ought to otherwise capture. And, to be honest, I would rather have the capacity to control our wealth so we could begin to start lowering tax rates and be more attractive to the metropolitan region, but that wasn't the order of the day.

They came back with a formula. The formula ended up being cut by $30 million, as the Delegate has pointed out, because of a threatened veto.

We think that this is not a windfall. This is reflective of a lot of hard work, a lot of political capital, a lot of time and energy, and more than appropriate recompense to a community that suffers under a set of circumstances that no American citizen ought to suffer under.

CLOSING REMARKS OF MAYOR

With that, I will close by saying that, while we may have trouble with some people appreciating the progress we have made, you will see among most of the credit rating groups—Standard & Poors, Moodys, and the like—that the District of Columbia, in recent times, has been lauded for our steps to deal with this serious crisis in a fiscally responsible way.

PREPARED STATEMENT OF MAYOR KELLY

Mr. DIXON. Thank you, very much, Madam Mayor. At this point in the record we will place your prepared statement.

Ms. KELLY. Thank you, Mr. Chairman.

[The prepared statement referred to follows:]

STATEMENT OF THE HONORABLE SHARON PRATT KELLY
MAYOR OF THE DISTRICT OF COLUMBIA
BEFORE THE
D.C. APPROPRIATIONS COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

HEARING ON THE PRESIDENT'S ECONOMIC STIMULUS PLAN
TUESDAY, FEBRUARY 23, 1993 1:00 P.M.

GOOD AFTERNOON, MR. CHAIRMAN AND COMMITTEE MEMBERS. THANK YOU CHAIRMAN DIXON FOR YOUR CONTINUING SUPPORT OF THE DISTRICT OF COLUMBIA AND OUR EFFORTS TO ADDRESS THE FISCAL CRISIS AND TO BRING OUR FISCAL HOUSE IN ORDER. I ALSO WANT TO WELCOME THE NEW RANKING COMMITTEE MEMBER, CONGRESSMAN JIM WALSH. I LOOK FORWARD TO WORKING WITH YOU AND THE OTHER NEW MEMBERS OF THIS SUBCOMMITTEE.

I APPRECIATE THE OPPORTUNITY TO SPEAK TO YOU TODAY IN SUPPORT OF PRESIDENT CLINTON'S ECONOMIC STIMULUS PACKAGE, AND MORE SPECIFICALLY, IN SUPPORT OF THE PLAN'S RECOMMENDATION TO PROVIDE AN ADDITIONAL $28.2 MILLION TO THE FEDERAL PAYMENT TO THE DISTRICT OF COLUMBIA IN FISCAL YEAR 1993. WITH ME TODAY IS ELLEN O'CONNOR, CHIEF FINANCIAL OFFICER FOR THE DISTRICT OF COLUMBIA. YOU WILL BE HEARING FROM D.C. COUNCIL CHAIRMAN JOHN WILSON LATER THIS AFTERNOON.

PRESIDENT CLINTON HAS ASKED THAT THE ADDITIONAL $28 MILLION IN THE PAYMENT TO THE DISTRICT BE USED TO HELP PROVIDE ESSENTIAL PUBLIC SAFETY, HEALTH AND OTHER MUNICIPAL SERVICES IN OUR COMMUNITY, AND THAT THE MONEY REMAIN AVAILABLE UNTIL EXPENDED.

THE DISTRICT'S FINANCIAL CONDITION IS SUCH THAT WE FACE A $250 MILLION GAP IN FY 1993 AND A $500 MILLION GAP IN FY 1994, FOR A TWO-YEAR BUDGET POTENTIAL PROBLEM OF $750 MILLION -- A SIGNIFICANT CHALLENGE FOR THE DISTRICT. THIS $28 MILLION WILL HELP US ADDRESS THE IMMEDIATE FINANCIAL CRISIS AND SIMULTANEOUSLY PROVIDE NECESSARY FUNDS TO MEET OUR COMMUNITY'S NEEDS BY IMPROVING THE DISTRICT'S ECONOMIC HEALTH.

IN RECOGNITION OF OUR FINANCIAL CONDITION, MY ADMINISTRATION DEVELOPED A PROCESS THAT INVOLVED THE COMMUNITY IN SHAPING OUR BUDGET PRIORITIES FOR THE REMAINDER OF THIS FISCAL YEAR AND FOR FY 1994. WE WERE VERY PLEASED WITH THE ATTENDANCE AT OUR WARD

BUDGET MEETINGS AND WITH THE QUALITY OF OUR CITIZENS' RESPONSES TO OUR FINANCIAL OPTIONS AND CHALLENGES. RESIDENTS THROUGHOUT THE DISTRICT SPOKE LOUDLY AND CLEARLY ABOUT THEIR CONCERNS AND INTERESTS -- AND OUR FINANCIAL TEAM CONSTRUCTED A BUDGET THAT HONORS THOSE CONCERNS.

OUR FY 1993 AND FY 1994 BUDGETS REFLECT THE COOPERATION, CONSENSUS AND COMMITMENT WE HAVE ACHIEVED AS A GOVERNMENT AND AS A COMMUNITY UNITED BEHIND AGREED-UPON PRIORITIES.

DISTRICT RESIDENTS REAFFIRMED THEIR COMMITMENT TO OUR YOUTH, ESTABLISHING AS A TOP PRIORITY GREATER FUNDING FOR AND ATTENTION TO OUR YOUTH INITIATIVE AND OUR EDUCATIONAL AND RECREATIONAL PROGRAMS. SIX MONTHS AGO, CONGRESS PROVIDED $30 MILLION TO FUND OUR YOUTH INITIATIVE PROGRAM; THESE FUNDS WERE SUBSEQUENTLY CUT FROM OUR BUDGET UNDER THREAT OF A PRESIDENTIAL VETO.

I SHARE PRESIDENT CLINTON'S DESIRE TO INVEST IN OUR YOUTH. THE $28 MILLION HE HAS REQUESTED WILL ALLOW US TO CONTINUE FUNDING OUR YOUTH INITIATIVE WITHOUT REDUCING FUNDING FOR OTHER VITAL SERVICES LIKE OUR SUMMER YOUTH EMPLOYMENT PROGRAM. FULLY FUNDING THE FEDERAL PAYMENT WILL ENSURE THAT PROGRAMS FOR OUR YOUTH REMAIN A PRIORITY.

DURING MY COMMUNITY BUDGET MEETINGS, DISTRICT RESIDENTS SPOKE ELOQUENTLY ABOUT HOW MUCH THEY NEED AND VALUE RECREATION CENTERS, PARKS AND PROGRAMS. WE ARE WORKING VERY HARD TO PROVIDE COMPREHENSIVE RECREATIONAL AND CULTURAL PROGRAMS IN OUR COMMUNITY. WE HAVE A SPECIAL EMPHASIS ON INTER-GENERATIONAL PROGRAMS THAT INVOLVE THE YOUTH AND SENIORS ALIKE. TO SUPPORT THESE NEW INITIATIVES AND PROGRAM IMPROVEMENTS, WE ARE PURSUING OUTSIDE FUNDING AND OPPORTUNITIES FOR HAVING PRIVATE, NON-PROFIT AND GRASS ROOTS ORGANIZATIONS IMPLEMENT PROGRAMS AND MANAGE SOME RECREATION CENTERS. WE CONTINUE TO CULTIVATE NEW COMMUNITY PARTNERSHIPS AND GARNER NEW RESOURCES TO SERVE OUR YOUNG PEOPLE.

IN THE EDUCATIONAL ARENA, WE HOSTED AN EDUCATION SUMMIT WITH COUNCIL CHAIRMAN WILSON, SCHOOL BOARD SUPERINTENDENT FRANKLIN SMITH AND PRESIDENT R. DAVID HALL AND CITIZENS FROM OUR ADVISORY COMMITTEE ON RESOURCES AND BUDGET. WE PLAN TO HOST A SIMILAR SUMMIT WITH THE UNIVERSITY OF THE DISTRICT OF COLUMBIA AND D.C. GENERAL HOSPITAL TO HELP THESE INSTITUTIONS DEVELOP GREATER COST CONTROLS WHILE EFFECTIVELY DELIVERING SERVICES TO DISTRICT

RESIDENTS.

THE FEBRUARY 8 ISSUE OF STANDARD AND POOR'S CREDITWEEK MUNICIPAL APPLAUDED MY ADMINISTRATION'S EFFORTS TO CONTROL COST. IT NOTED THE FOLLOWING:

> THE PRESSURES TO FUND NEEDS IN THE AREAS OF EDUCATION, PUBLIC SAFETY, JUSTICE AND HUMAN SUPPORT SERVICES ARE STRONG AND HAVE TO BE MANAGED EFFICIENTLY TO MAINTAIN BALANCED OPERATIONS. WHILE THE [KELLY] ADMINISTRATION HAS BEEN FIRM IN CONTROLLING COSTS, MEETING THESE DEMANDS IN THE FUTURE WILL CONTINUE TO BE A CHALLENGE. SIMPLY HAVING MORE CONTROL OVER THE EXPENSE BUDGET MAY HELP THIS JURISDICTION MORE EFFICIENTLY MANAGE THIS PROCESS.

I QUOTE THIS PUBLICATION BECAUSE IT SPEAKS TO THE NEED FOR THE LOCALLY-ELECTED OFFICIALS TO DETERMINE HOW DISTRICT FUNDS ARE SPENT.

THROUGH OUR LOCAL BUDGET PROCESS AND THE INPUT SOUGHT AND RECEIVED FROM THE COMMUNITY, WE DEVELOPED A BUDGET THAT PROTECTED OUR PRIORITIES. WE REAFFIRMED OUR COMMITMENT TO YOUTH, TO EDUCATION, TO COMMUNITY EMPOWERMENT POLICING, TO HEALTH CARE FOR OUR CHILDREN AND SENIORS. AND WE PROVIDED FUNDING FOR THESE PRIORITIES BY STREAMLINING SOME PROGRAMS AND SHIFTING RESOURCES FROM OTHER AREAS OF THE GOVERNMENT.

THE $28 MILLION INCLUDED IN THE PRESIDENT'S PACKAGE WILL HELP US TO MEET AND SUSTAIN OUR COMMUNITY'S STATED NEEDS. WE WILL INVEST IN CHILDREN -- FROM IMMUNIZATIONS TO FAMILY PRESERVATION PROGRAMS. A YEAR AGO, WE STARTED AN IMMUNIZATION PROGRAM FOR OUR YOUNG PEOPLE, AND THIS YEAR WE LAUNCHED A TUBERCULOSIS IMMUNIZATION PROGRAM CITY-WIDE.

WE WILL INVEST IN EDUCATION AND RECREATIONAL PROGRAMS. WE WILL INVEST IN EXPANDED EMPLOYMENT TRAINING AND JOB CREATION FOR OUR CITIZENS.

WE WILL CONTINUE OUR INVESTMENT IN IMPROVED PUBLIC SAFETY, SUPPORTED BY COMMUNITY EMPOWERMENT PROGRAMS AND BETTER TRAINING FOR EMERGENCY MEDICAL PERSONNEL. WE WILL BRING GREATER CONTROL AND ACCESS TO OUR HEALTH CARE PROGRAMS FOR THE 110,000 DISTRICT RESIDENTS WHO PARTICIPATE IN THE MEDICAID PROGRAM AND THE 100,000 DISTRICT RESIDENTS WHO ARE STILL WITHOUT HEALTH INSURANCE. I COMPLIMENT THE PRESIDENT ON HIS COMMITMENT TO

TACKLING THE NATIONAL CRISIS IN HEALTH CARE.

OUR ABILITY TO STAY FOCUSED ON OUR PRIORITIES -- WHICH WILL ENSURE THE ECONOMIC VITALITY OF THE DISTRICT -- AND TO BALANCE OUR FY93 BUDGET DEPENDS ON INCREASED FEDERAL PAYMENT IN ACCORDANCE WITH THE FEDERAL FORMULA LEGISLATION ENACTED IN 1991.

AGAIN, I THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. I URGE YOUR SUPPORT OF THE PRESIDENT'S ECONOMIC STIMULUS PLAN AND OF HIS EFFORT TO RECOGNIZE THE FINANCIAL PROBLEMS FACED BY THE DISTRICT OF COLUMBIA BY ENSURING THAT THE PAYMENT TO THE DISTRICT IS SUSTAINED ON A LEVEL PREDICTED BY THE FORMULA.

Mr. DIXON. And I will now call on the Chairman of the City Council.

OPENING STATEMENT OF COUNCIL CHAIRMAN WILSON

Mr. WILSON. Mr. Chairman and other distinguished members of this subcommittee, I am John Wilson, Chairman of the Council of the District of Columbia, and I am pleased to appear here with the Mayor of the District of Columbia before you today to testify on the President's fiscal year 1993 economic stimulus proposal for an increase in the Federal payment to the District of Columbia.

As a fiscal unit, the District does not make sense. During the boom years we have been almost able to mask this fact, but during the recession the truth is revealed. In fact, the last three years have been absolutely brutal. Unemployment reached 9 percent. The number of residents with jobs decreased from 276,000 to 255,000. From 1990 to 1992, AFDC cases jumped 28 percent. Our tax base remained flat or, in the case of the real property tax, it declined. As a result, our potential deficit has soared.

ECONOMIC DOWNTURN

The District is, of course, not unique in suffering from the economic downturn. We stand alone, however, in our limited ability to cope. We cannot tax our nonresident incomes, and we have an abundance of other tax-exempt situations, such as 42 percent of the land occupied by the Federal Government—and please don't misinterpret that as a negative from my standpoint. I wish you occupied more. It means we could fill up some of our empty buildings. But we have plenty of space available if you wish to discuss it with us. We would be glad to discuss it with you.

Restrictions on our tax base and taxing authority are major reasons why the District receives a Federal payment and why the payment is so critical to the District.

LARGEST POTENTIAL DEFICIT IN DISTRICT'S HISTORY

At present, the District faces the largest potential deficit in its history. The $300 million fiscal year 1993 budget gap is forcing us to consider again huge immediate cuts throughout the government. These reductions are on top of—and let me say on top of, because some people act as though we are just spendthrift liberals in the District of Columbia. But we have done what some people, some conservative governments, wouldn't dare do. And these reductions are on top of no pay raises for three years.

WITHIN-GRADE INCREASES CANCELED

We have canceled within-grade increases, which we were taken to court for, and the court ruled against us one day—we all almost had a massive cardiac arrest in the hallway—and then the next day the court ruled in our favor.

We did not approve any pay increases. One slipped through, and it was for nurses.

FURLOUGH DAYS

And we had 12 furlough days. I don't think that any politician in the city at this point can go to any public meeting and not be asked why am I being furloughed by one specific group or another.

Ms. KELLY. They even asked President Clinton.

Mr. WILSON. Somebody asked Mr. Clinton the question why were they being furloughed. I am so tired of people asking me why they are being furloughed that I am going to agree with the Mayor this time and just say, sorry, people, get over it. They don't understand why they are being furloughed.

SCHOOL FUNDING

The Council is not even halfway through its review of the Mayor's revised budget request. However, I can tell you that the Mayor is recommending large decreases in resources devoted to public service, human services and economic development and tax increases on our middle class. Even the agreement between the Mayor, the School Board and myself with regard to the schools' funding entails cutting 883 school positions and closing 10 schools.

Last night, Mr. Chairman, I was at a session on Capitol Hill that Parents United had on the question of closing schools. Nobody wants to close anything. Nobody wants us to increase their taxes. Nobody wants us to furlough anybody. Nobody wants us to do anything. In fact, I am having trepidations about whether I want to come to work or not—yes, Eleanor, I made up that word—as to whether or not I even want to come to work because I am not sure anybody wants me to do anything anyway.

So the problem becomes one that we cannot leave it like it is. It is not working. It has not worked, and the Mayor has made a commitment toward trying to change that, and I think the majority of the Council, at least seven of us, are in the posture where we would like to see it change.

With budget actions like these, the District is hard-pressed to protect its most vulnerable population, much less to continue needed investment in economic development. Reducing the government's work force and its pay, for example, hurts, rather than helps, the economy.

$28 MILLION TO BALANCE FY 1993 BUDGET

We are gratified that as part of his economic stimulus proposals the President has recommended a total of $653 million in Federal payment, which is $28.2 million above the original amount approved for this fiscal year. This additional $28.2 million payment will allow the District to avoid further harmful cuts. The funds will be used to balance the fiscal year 1993 budget and, as the President has proposed, pay for essential municipal services.

And I like that idea. I am delighted, Mr. Chairman, that the President used "essential municipal services," because people act as though we don't have any.

SNOW REMOVAL

Sunday, it started to snow, Mr. Chairman, and my wife said, oh, isn't the snow beautiful? And I said, if you say it again you can go outside and sit in it.

Because the fact of the matter is that I don't want to see any snow. If that snow had become four more inches as someone said—you know, I called the Mayor's command center and said, what is the weather forecast? They said, well, it is supposed to rain at six o'clock. And I went outside. It was not raining. It was freezing rain. So I immediately went into a panic, and I called them again. I said, do you have any idea what is going on outdoors? They said, no. I said, well, it is not raining. It is freezing rain.

If we had to spend $1 million or $2 million to remove the snow yesterday, this week, if God wasn't so kind as to make it 60 degrees and send the front up your way, in Syracuse, sir.

Mr. WALSH. It sure did.

Mr. WILSON. If the front hadn't swung and the jet stream had just dipped a little lower, we would be using this whole $28 million to remove the snow. That is what it would be used for today. That is what we would be using it for. That is truth. That is what the last one cost us. And, since there were no farmers in town protesting, we would have had no equipment to remove it with.

FUNDS NEEDED TO BALANCE BUDGET

So this $28.2 million helps us enormously. It still leaves, Mr. Chairman, $1.8 million difference with our original budget.

I encourage this committee to approve the whole $30 million. As Senator Dirksen used to say, what is a million here and a million there? What is a million going to hurt you? You won't even know you lost it. $1.8 million won't hurt you. Won't do any big damage to you. It is the difference with our original budget—I encourage you to give us the whole $30 million because we need it.

FEDERAL PAYMENT FORMULA

As you may recall, we balanced the original fiscal year 1993 budget using what we thought was the Federal payment formula. The payment we counted on was $655.7 million. Much to our surprise and dismay, all parties did not share our interpretation of the formula basis. As a result of the controversy about including non-appropriated revenues and a threatened veto, only $624.9 million was appropriated. The District was left with about a $30.8 million hole in its budget.

While I recognize this is not the time to dwell on the Federal payment formula, I believe that all parties should address the problem in the near future. It is not going to disappear.

FY 1994 BUDGET REQUEST BALANCED ON CITY'S INTERPRETATION OF FORMULA

The Mayor's fiscal year 1994 budget request is also balanced using our interpretation of the formula. And let me emphasize our interpretation of the formula. We urge this committee to approve at the very least the additional $28.2 million Federal payment the President has recommended for this fiscal year.

And I know, Mr. Chairman, it is early, but I just would like to get it on the table early so that you can be as uncomfortable as I am about the budget that is coming. We need a 50 percent increase in the Federal payment in our budget this year. We need a 50 percent increase if we are going to meet the public safety needs that you are going to demand that we meet, that the Congress itself is going to demand that we meet.

Some of our groups and some of our national groups and national associations have a greater ability here to convince you than the local officials do, and so I think that we ought to—don't you think so, Madam Mayor—we ought to at this point make it clear we need close to a 50 percent increase in the Federal payment to even balance the budget that is before us.

PREPARED STATEMENT OF CHAIRMAN WILSON

Mr. Dixon. Thank you very much, Chairman Wilson. We will insert your prepared statement in the record.

Mr. Wilson. Thank you, sir.

[The prepared statement referred to follows:]

STATEMENT OF
JOHN A. WILSON
CHAIRMAN
COUNCIL OF THE DISTRICT OF COLUMBIA
BEFORE THE
SUBCOMMITTEE ON DISTRICT OF COLUMBIA APPROPRIATIONS
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
ON
THE FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSALS

1:00 P.M.
FEBRUARY 23, 1993

MR. CHAIRMAN AND OTHER DISTINGUISHED MEMBERS OF THIS SUBCOMMITTEE. I AM JOHN A. WILSON, CHAIRMAN OF THE COUNCIL OF THE DISTRICT OF COLUMBIA. I AM PLEASED TO APPEAR BEFORE YOU TODAY TO TESTIFY ON THE PRESIDENT'S FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL FOR AN INCREASED FEDERAL PAYMENT TO THE DISTRICT OF COLUMBIA.

AS A FISCAL UNIT, THE DISTRICT DOES NOT MAKE SENSE. DURING BOOM YEARS, WE HAVE BEEN ALMOST ABLE TO MASK THIS FACT. DURING RECESSIONS, THE TRUTH IS REVEALED. IN FACT, THESE LAST 3 YEARS HAVE BEEN BRUTAL. UNEMPLOYMENT REACHED 9 PERCENT, AND THE NUMBER OF RESIDENTS WITH JOBS DECREASED FROM 276,000 TO 255,000. FROM 1990 TO 1992, AFDC CASES JUMPED 28 PERCENT. OUR TAX BASE REMAINED FLAT OR ,IN THE CASE OF THE REAL PROPERTY TAX, DECLINED. AS A RESULT, OUR POTENTIAL DEFICITS HAVE SOARED.

THE DISTRICT IS, OF COURSE, NOT UNIQUE IN SUFFERING FROM THE ECONOMIC DOWNTURN. WE STAND ALONE, HOWEVER, IN OUR LIMITED ABILITY TO COPE. WE CANNOT TAX OUR NONRESIDENT INCOMES, AND WE HAVE AN ABUNDANCE OF OTHER TAX-EXEMPT SITUATIONS, SUCH AS THE 42 PERCENT OF LAND OCCUPIED BY THE FEDERAL GOVERNMENT. RESTRICTIONS ON THE TAX BASE AND TAXING AUTHORITY ARE MAJOR REASONS WHY THE DISTRICT RECEIVES A FEDERAL PAYMENT AND WHY THE PAYMENT IS SO CRITICAL TO THE DISTRICT.

AT PRESENT, THE DISTRICT FACES THE LARGEST POTENTIAL DEFICIT IN ITS HISTORY. THE $300 MILLION FISCAL YEAR 1993 BUDGET GAP IS FORCING US TO CONSIDER AGAIN HUGE, IMMEDIATE CUTS THROUGHOUT THE

GOVERNMENT. THESE REDUCTIONS ARE ON TOP OF NO PAY RAISES FOR 3 YEARS, CANCELLED WITHIN GRADE INCREASES, AND 12 FURLOUGH DAYS.

THE COUNCIL IS NOT EVEN HALFWAY THROUGH ITS REVIEW OF THE MAYOR'S REVISED BUDGET REQUEST. HOWEVER, I CAN TELL YOU THAT THE MAYOR IS RECOMMENDING LARGE DECREASES IN RESOURCES DEVOTED TO PUBLIC SAFETY, HOUSING, HUMAN SERVICES, AND ECONOMIC DEVELOPMENT AND TAX INCREASES ON OUR MIDDLE CLASS. EVEN THE AGREEMENT BETWEEN THE MAYOR, THE SCHOOL BOARD, AND MYSELF WITH REGARD TO SCHOOLS' FUNDING ENTAILS CUTTING 883 SCHOOL POSITIONS AND CLOSING 10 SCHOOLS.

WITH BUDGET ACTIONS LIKE THESE, THE DISTRICT IS HARD PRESSED TO PROTECT ITS MOST VULNERABLE POPULATION, MUCH LESS TO CONTINUE NEEDED INVESTMENT IN ECONOMIC DEVELOPMENT. REDUCING THE GOVERNMENT'S WORKFORCE AND ITS PAY, FOR EXAMPLE, HURTS, RATHER THAN HELPS, THE ECONOMY.

WE ARE GRATIFIED THAT AS PART OF HIS ECONOMIC STIMULUS PROPOSALS, THE PRESIDENT HAS RECOMMENDED A TOTAL $653.0 MILLION FEDERAL MILLION PAYMENT, WHICH IS $28.2 MILLION ABOVE THE ORIGINAL AMOUNT APPROVED FOR THIS FISCAL YEAR. THIS ADDITIONAL $28.2 MILLION PAYMENT WILL ALLOW THE DISTRICT TO AVOID FURTHER HARMFUL BUDGET CUTS. THE FUNDS WILL BE USED TO BALANCE THE FISCAL YEAR 1993 BUDGET AND, AS THE PRESIDENT HAS PROPOSED, PAY FOR ESSENTIAL MUNICIPAL SERVICES. I HOPE YOU WILL ALLOW US THE SAME FLEXIBILITY.

AS YOU PROBABLY KNOW, THE MAYOR'S REVISED FISCAL YEAR 1993 BUDGET REQUEST IS BALANCED USING AN ADDITIONAL $30 MILLION IN FEDERAL FUNDS. WHILE THE PRESIDENT'S PROPOSED INCREASE OF $28.2 MILLION HELPS ENORMOUSLY, IT STILL LEAVES A $1.8 MILLION DIFFERENCE WITH OUR ORIGINAL BUDGET. I ENCOURAGE THIS COMMITTEE TO APPROVE THE ENTIRE $30 MILLION.

AS YOU MAY RECALL, WE BALANCED THE ORIGINAL FISCAL YEAR 1993 BUDGET USING WHAT WE THOUGHT WAS THE FEDERAL PAYMENT FORMULA. THE PAYMENT WE COUNTED ON WAS $655.7 MILLION. MUCH TO OUR SURPRISE AND DISMAY, ALL PARTIES DID NOT SHARE OUR INTERPRETATION OF THE FORMULA BASIS. AS A RESULT OF THE CONTROVERSY ABOUT INCLUDING NONAPPROPRIATED REVENUE AND A THREATENED VETO, ONLY $624.9 MILLION WAS APPROPRIATED. THE DISTRICT WAS LEFT WITH A $30.8 MILLION HOLE IN ITS BUDGET.

WHILE I RECOGNIZE THIS IS NOT THE TIME TO DWELL ON THE FEDERAL PAYMENT FORMULA, I BELIEVE THAT ALL PARTIES SHOULD ADDRESS THE PROBLEM IN THE NEAR FUTURE. IT IS NOT GOING TO DISAPPEAR. THE MAYOR'S FISCAL YEAR 1994 BUDGET REQUEST IS ALSO BALANCED USING OUR INTERPRETATION OF THE FORMULA.

WE URGE THIS COMMITTEE TO APPROVE AT THE VERY LEAST THE ADDITIONAL $28.2 MILLION FEDERAL PAYMENT THE PRESIDENT HAS RECOMMENDED FOR THIS FISCAL YEAR. I AM AVAILABLE TO ANSWER ANY QUESTIONS YOU MIGHT HAVE.

Mr. DIXON. Delegate Norton, I would like to thank you for your comments concerning our working relationship and the history of the request now before the Committee.

FORMULA FEDERAL PAYMENT—CLARIFICATION BY CHAIRMAN DIXON

For the Members who are new to the Committee—and that is everyone here except myself—Ms. Norton, the Mayor and John each made reference to the issue over the Federal payment. I support the highest Federal payment possible. But last year, when the Congress enacted a formula to determine the amount of the Federal payment, there was obviously a misunderstanding as to how the formula would be applied. And, basically, the controversy surrounds whether nonappropriated funds will be included in calculating the Federal payment. And Ms. Norton is absolutely correct when she says that she, as a member of that committee, hopes to turn that around.

I will be very supportive in providing whatever funds the President offers up or whatever 602(b) allocation I can get. But let the record show that if we do get additional monies, it will be outside of the Federal payment. Although I am sympathetic, I will not go against the authorizing Committee on that issue.

So you may wind up with additional monies, but no precedent will be set that the additional monies are part of the Federal payment until such time as Eleanor and others are able to work their will by enacting Congressional legislation that includes nonappropriated funds in the definition of general fund local revenues.

So if the President offers up additional monies, I am very supportive, but it will not be used as a precedent to say, "You see, this is what the appropriators think." So even if you get this appropriation, it won't be a part of the formula Federal payment.

In that sense, I join with our new Ranking Member in that I will offer up language to indicate that this appropriation is outside of the formula Federal payment. In other words, you cannot use this as a crutch to say—and Eleanor understands exactly—that this is part of the formula Federal payment.

ELIMINATING TWO LEGISLATIVE RESTRICTIONS

Now, as it relates to the two restrictions, this Committee did not support those restrictions. One was to comply with the President's veto and the other was offered in the Senate by Trent Lott. One deals with the right of the District to comply with Federal law as it relates to abortions, and that is to prohibit the use of Federal funds for abortions except to save the life of the mother. Federal law allows States to use their own revenues as they see fit for abortions. And I feel very strongly about that issue.

The second deals with the District's domestic partners act which allows two people in a relationship to register with the city and qualify for health care and other benefits in the public sector. It also provides tax incentives to encourage the private sector to provide these benefits to their employees.

I personally feel that the District is right on both issues.

ABORTION ISSUE

The abortion issue is totally unfair. To hold the District to a higher standard, or a different standard, rather—and that is that unlike the 50 states, they cannot even use their own revenues for abortions—is wrong. It is a political issue rather than any other kind of issue. And I think it has been unfairly applied to the District. I would point out that President Bush vetoed several bills because of that issue alone.

I would be inclined to offer an amendment to this bill at some time to life that prohibition, but Chairman Natcher is trying to hold off all amendments. If he changes his mind, as I have told Mr. Walsh, I would be offering that amendment in the Full Committee.

DOMESTIC PARTNERSHIP ISSUE

The other amendment that you were asking for deals with the domestic partners act, and my opinion, although I support it, is that it is much too controversial to include in this stimulus package. However, at some later date, perhaps on another supplemental bill, I will be a strong advocate for lifting that prohibition. I just don't want to see us get bogged down at this point.

So that is exactly where I stand on these two issues and I have discussed this with Mr. Walsh.

Mr. Walsh.

Mr. WALSH. Thank you, Mr. Chairman, and I appreciate your statement in that regard. I think that both of those issues certainly, in the final analysis, would not be resolved in the subcommittee anyway. They would be resolved somewhere along the line in the appropriations process. I think to try and deal with those two issues now would certainly take away from the issue at hand.

I have just a couple of questions, and then I will pass it along to the next questioner.

SNOW REMOVAL

I have to admit I am a little curious, Chairman Wilson, if the farmers were not in town and you didn't have any equipment, what is the $28 million for?

Mr. WILSON. Why did I say that? Me and my big mouth.

Mr. WALSH. I was just curious.

Mr. WILSON. No, go ahead. What is your question?

Mr. WALSH. How do you spend $28 million if you don't have the equipment to clean up the snow?

Mr. WILSON. We would have to rent the equipment.

Mr. WALSH. Hire contractors?

Mr. WILSON. We would hire contractors.

Ms. KELLY. We have equipment now.

Mr. WILSON. We have equipment now.

Ms. KELLY. We have caught a few fire sales. Seriously, we did.

Mr. WILSON. We have equipment now, but the big problem is——

Ms. KELLY. When we came in office, it was not there.

Mr. WILSON. That is right, you could not do it a year ago.

Mr. **Walsh**. It probably makes more sense to contract it as a rule anyway, because you don't have a large number of weather events.

Mr. **Wilson**. Not like you, the big problem with us is we cannot figure out when we are going to have the event. You know you are going to have the event sooner or later. We cannot bet on it.

We bet one year, Congressman, that we would not have any snow. And, in fact, I bet the Council that we could take the $3 million that we had for snow removal and spend it. And that was the worst bet that I ever made in my life because that was the year we had the blizzard, and we had no money for snow removal in the budget.

Mr. **Walsh**. Isn't that always the way?

Mr. **Wilson**. Yeah. My wife told me God fixed me for it.

AREAS WHERE $28 MILLION WILL BE SPENT

Mr. **Walsh**. The President's message—and I will ask this of the Mayor—the President's message stated that this was to provide for short-term economic stimulus. It also stated that it is for essential public safety, health and other municipal issues.

And I believe in the President's letter to Delegate Norton, and Mr. Dixon noted, that it was for urban development and housing initiatives.

Have you earmarked how these funds will be used? You mention in your statement, Madame Mayor, that they will be for youth and public safety.

Ms. **Kelly**. Well, there are a number of issues, a number of areas where the money can be spent. Given our deficit situation, it is not as if we have lots of money.

Mr. **Walsh**. It's pretty obvious you have a budget problem.

Ms. **Kelly**. The youth initiative is one such area. Our empowerment programs that help contribute to a diminishment in the public safety issues as well as empowerment centers around our public housing is another area, as well as our summer youth program, particularly since the Federal dollars limit the population that you can hire. And, inevitably, there is a working poor population that often gets neglected, that we use appropriated D.C. dollars to help supplement there. It would be in that area.

Those are some of the areas where we see a positive impact, as well as in many of our health initiatives that we view to be just as pivotal to the problem of public safety. We have made an investment in public health where we see a quality benefit in terms of the diminishment of crime.

CLARIFICATION ON USE OF FUNDS

Ms. **Norton**. Could I say, Mr. Walsh, the urban development and housing gets in there only because in the President's stimulus budget, in trying to find a place to stick the District of Columbia, they stuck it under that heading. But as an independent item saying District of Columbia it was not to be related to HUD or to any—or was not tied to urban development or housing in any way.

Mr. **Walsh**. Just a function of the way the committee is structured?

Ms. **Norton**. Yes.

CREATING JOBS

Mr. **Walsh**. Will it, in fact, create jobs, this money?

Ms. **Kelly**. Yes. I think all of those activities create jobs.

Now, the community empowerment centers don't because those are with existing employees who get redeployed to those centers. But the youth initiatives, yes, because it involves training; the summer youth programs, yes, because it creates job opportunities for youth in the summer; the health initiatives, whether it is contractors or actual job opportunities, because that had been an area that was sorely neglected at many levels of government in years past; as well as some of the new initiatives we are going to advance in the area of recreation, such as I alluded to in my opening remarks, where we will begin to look to community-based organizations to help really staff our recreational centers, which inevitably result in job opportunities for the youth as well as young adults who are displaced in a neighborhood.

So we see that as a new way, hopefully, of solving an old problem.

USING SUPPLEMENTALS TO DEAL WITH BUDGET PROBLEMS

Mr. **Walsh**. Do you see this supplemental, as a way to deal with a budget problem in years to come? Obviously, you wound up $30 million short last year. Now it looks like you will get most of that back through a supplemental. Do you think that is the proper way to do this, to fund the D.C. budget?

Ms. **Kelly**. I don't want to speak to that. I can't presume as to what is the proper way to do it. To me, there is only one proper way, and that is, ultimately, where we don't have to impose upon your time and we can operate independent of this entire process. That would be the honest answer from my perspective.

Mr. **Walsh**. Do you want to add anything, Mr. Chairman?

FORMULA FEDERAL PAYMENT

Mr. **Wilson**. No, I don't think it is the proper way. I understand exactly what the Mayor is saying, but I play a game with the cards I am dealt. If we are to play the game with the cards that we are dealt, no, it is not the proper way of doing it. The proper way of doing it is to deal with the formula in a realistic posture, as Ms. Norton and Mr. Dixon worked on.

I think that unless you are going to deal with the formula in a realistic posture, then why don't you scrap it and just let me go for broke on whatever I can get? But I play the game with the hand I am dealt.

You want to change the rules in the game, then change the rules, but don't change the rules in the middle and then we end up in 1993 and we are $30 million in the hole simply because somebody else changed the rules and we didn't. We have to run for office just like everybody else.

I think that the Mayor and I, in the 1993 budget and in the last two budgets in the last two years—some of the decisions the Mayor and I have made could not be considered popular decisions. So the problem becomes one where we become not only the scapegoats for every demagogue who wants to run for public office in the District of Columbia, but you also make us look pretty foolish when we say there is a formula, and then we come back and you say, no, it is not a formula, you cannot have this, and we are balancing the budget on it.

This year we are balancing the budget on it again, which I am scared to do, but the Mayor says she wants to do it, so let's do it. Because the Democrats are supposed to be different, you know.

EXPENDING FUNDS BY END OF FISCAL YEAR

Mr. **WALSH**. I will stay away from that one.

Lastly, you have a budget shortfall. When does your fiscal year end?

Ms. **KELLY**. Ours is the same as the Federal Government.

Mr. **WALSH**. So would you have any objection to us putting language in requiring you to expend these funds by the end of your fiscal year?

Ms. **KELLY**. No, I am sure——

Mr. **WALSH**. Obviously, you are to——

Ms. **KELLY**. Of all the mandates Congress has given us, that is one that would be the least troublesome.

Mr. **WILSON**. If we have not achieved it, Congressman, I will be shocked. I will be absolutely shocked if we have not already achieved it.

Ms. **KELLY**. That will not be a problem.

Mr. **WALSH**. Fair enough. Thank you very much.

Mr. **DIXON**. Thank you, Mr. Walsh.

One person we have not introduced is the Deputy Mayor for Financial Management and the District's Chief Financial Officer, Ellen O'Connor——

Ms. **KELLY**. Sorry.

Mr. **DIXON**. She has been in that position for two years now.

Ms. **KELLY**. That is correct.

Mr. **DIXON**. Ms. Pelosi?

OPENING REMARKS OF CONGRESSWOMAN PELOSI

Ms. **PELOSI**. Thank you, Mr. Chairman.

It is a privilege to join with you in welcoming our distinguished witnesses today. It is a personal pleasure for me, as a friend of the Mayor and a colleague of Delegate Norton, but I also take personal privilege in the fact my father once chaired this subcommittee on appropriations and was a strong advocate for more self-determination for the District of Columbia. I want to work with you and follow your leadership on the committee.

STAFFING FOR MEDICAID BILLINGS AND SUBSTANCE ABUSE TREATMENT

I had just one quick question. It is not uncommon for States and perhaps the District in this case not to take full advantage of Federal dollars that are available to get the job done. In particular, I am talking about access to drug treatment programs in the District. And when you have to cut back, you have to cut back, and sometimes you don't have the staff in place to do the program work that is necessary to get the Federal dollars.

So I wondered if you feel you have adequate staff trained now to deal with the medicaid billings and reimbursements so that the alcohol and drug treatments can be made in a timely fashion?

Ms. KELLY. We have made considerable progress. The audit you are undoubtedly making reference to was a self-imposed audit. It would be an understatement to say we didn't inherit a total mess. That program, in particular, had no staffing of any kind. It was a joke.

And so we are rapidly trying to get that program staffed, as well as we brought in a first-rate person in our medical finance area, Dr. Coronado, who is putting us in a posture so that we can take better advantage of many of these Federal dollars.

I don't know, I guess we are a few months away—I could say about four or five months away from having it adequately staffed.

Ms. PELOSI. Oh, thank you very much.

PENSION FUNDS

One other question, quickly. The retirement plans for the police officers and firefighters. You know the issue, to speak of it in an abbreviated way. Are steps under way to address this problem? Will we be having a legislative proposal, Mr. Chairman, under consideration? Is there anything that the District would be interested in submitting for a legislative proposal in that regard?

Mr. DIXON. I assume you are referring to what is called the unfunded pension fund liability.

Ms. PELOSI. Yes.

Mr. DIXON. Ms. Norton is leaving. I don't know whether the authorizing committee is going to be able to get any legislation through on that issue. But the pension fund liability comes under the jurisdiction of the Committee headed now by Chairman Stark.

Ms. KELLY. We have done some staff work, though.

Mr. WILSON. There is now a working group with staff from Chairman Stark's House District Committee, from the retirement board, the Deputy Mayor of Finance and the Council—they have a working group trying to put together something at this point.

Ms. KELLY. But we have had a group of outside experts to look at it as well.

Ms. NORTON. I will have a proposal this year.

Mr. DIXON. Congresswoman Norton says she will have a proposal this year.

Ms. PELOSI. I look forward to working with Delegate Norton and with our Chairman on that issue.

The caucus on women's issues is meeting with Mrs. Clinton on the health care proposal. It is where I have to go now, so, if I may be excused—but I look forward to working with you. Thank you very much.

Mr. DIXON. Thank you, Ms. Pelosi.

OPENING REMARKS OF CONGRESSMAN ISTOOK

Ernest, any comments or questions you would like to ask of the Mayor or the Chairman of the Council?

Mr. ISTOOK. Yes, thank you, Mr. Chairman.

In the President's package there are proposals for other economic stimulus: Highway investment, community development block grants, summer youth employment. Is it your understanding that the District will be fully eligible to participate in those programs and to compete with other cities for those funds?

Ms. **Kelly**. That is correct.

Mr. **Istook**. No exclusions you expect for any of those?

Ms. **Kelly**. No exclusions.

Mr. **Istook**. I wanted to ask, and I was interested, as I understand it from Chairman Dixon——

Mr. **Wilson**. Congressman, the language also said essential municipal services, which means bridges, streets and potholes and gutters and things of that nature.

Mr. **Istook**. My point is you have the same ability as any other city to participate.

Ms. **Kelly**. That is one of the few things we have the ability to do like any other city. Otherwise we are not—do not function like a part of the Constitution.

PURPOSE OF $28.2 MILLION AND FEDERAL PAYMENT

Mr. **Istook**. As the Chairman related, the $28 million that is being discussed is not, if I understood you correctly, Mr. Chairman, is not intended to be an adjustment to the Federal payment to D.C. or to set any sort of precedent there.

Other than the fact that, obviously, you see a need for D.C., and other cities would see a need for themselves, if it is not intended to be an adjustment for the Federal payment, what rationale, then, sets D.C. apart from any other city that might want a payment, other than participating in these other programs?

Why should we not then grant extra money to New York City or Philadelphia or Chicago or Dallas, whatever city it might be, if you remove that Federal payment adjustment from the rationale?

Ms. **Kelly**. Well, I mean I can't speak for the President as to why he did it. I would think it was born out of a sense of basic equity, that the District of Columbia cannot tax 62 percent of her wealth, cannot tax 43 percent of her properties. The District of Columbia pays Federal taxes, but, unlike any other jurisdiction in the United States, is denied the most basic prerogatives of citizenship.

Indeed, often one considers making a territory a State so you can get ahold of the Federal taxes, but not in the District of Columbia. We offer that up without the same purpose of any other jurisdiction.

The basic point is——

Mr. **Istook**. Let me rephrase the question because I think you are evading it. My question was, if this is not for the Federal payment, which is the compensation for the very factors which you are mentioning, if, as the Chairman states, this is not intended to be an adjustment for the Federal payment, then, since that takes into account the very factors you mentioned, then what is the rationale for singling out the District?

Ms. **Kelly**. That is what I was speaking to. If it is not that, I cannot speak to what was on the President's mind. I assume that—and that is what I was speaking to—that it was borne out of a sense of equity, given the District of Columbia's exceptional, unfortunate plight. But I cannot speak to why the President did it.

Mr. WILSON. It was also borne out, Congressman, when you cut, when there was some disagreement over what the Federal payment would be and that amount of money was vetoed and cut. What I think the Chairman is saying is, or what I thought I heard the Chairman say, is that he did not want this to be a precedent—he didn't want this to set a precedent—that he wouldn't include it as a part of the Federal payment. He would include it as resources over and above the Federal payment. And I think that is how we are viewing it, basically.

The truth of the matter is that why would we be different from anybody else? That is the question you are asking, right?

Mr. ISTOOK. If you remove the Federal payment, which is to pay for the factors the Mayor articulates, what is the rationale for the extra $28 million supplemental.

Mr. WILSON. You cannot do that. That is the problem. Your question is no longer rational if you remove that. The fact of the matter is that we are different. If you want to make us undifferent, we will accept that right quick, too, but the fact of the matter is we are different.

We have to offer certain services to you, and we have to offer certain services to millions of people that come here as tourists and other people, and we need the resources in order to do that. That is what we need the resources for.

INAUGURAL EXPENSES

Ms. KELLY. The inaugural was a perfect example. Congress appropriates an amount of money out of our dollars to go for the inaugural. Inevitably, it ends up being twice that amount, and we are never assured of the fact we will ever be reimbursed. Because, unlike any other sovereign power, no one has to respect what the District of Columbia wants.

There are any number of instances such as that where the District of Columbia has an exceptional obligation to the Federal system.

[CLERK'S NOTE.—Section 737(b) of the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93–198, approved December 24, 1974, reads, in part, as follows:

"(b) The United States shall reimburse the District for necessary expenses incurred by the District in connection with assemblages, marches, and other demonstrations in the District which relate primarily to the Federal Government."

The District of Columbia Appropriations Act for 1993 (Public Law 102–382; 106 Stat. 1422), includes $5,514,000 in Federal funds to the District for expenses incurred in connection with the January 1994 Presidential inaugural activities. Although the amount differs, a similar payment has been made quadrennially.]

Mr. ISTOOK. Do you have those figures from this particular inaugural yet?

Ms. KELLY. We are in the process now of accounting for agency expenditures and allocating the funds that have been appropriated.

Mr. WILSON. Madam Mayor.

Mr. ISTOOK. Have you done one for the most recent inaugural?

Ms. KELLY. We can do that for the inaugural.

Mr. Istook. If you would prepare that and submit it to us, I would appreciate it.

[Clerk's note.—The following information was supplied for the record and is identical to the material included in the FY 1994 Budget Justifications, volume VI, page 244, submitted April 30, 1992, to support the District's request for a Federal payment of $5,414,000 to cover the costs of the 1994 Presidential inaugural activities. The Federal payment of $5,414,000 was appropriated to the District government in Public Law 102–382, approved October 5, 1992. A table showing actual expenses incurred has not been received by the Committee:]

The following is a breakdown by agency of the estimated expenses for fiscal year 1994:

1. Department of Public Works	2,471,983
2. Police Department	2,473,787
3. Department of Recreation	18,252
4. Department of Human Services	21,000
5. National Guard	72,000
6. Fire Department	396,657
7. Office of Emergency Preparedness	45,000
8. Department of Administrative Services	11,168
9. Consumer and Regulatory Affairs	4,300
Total	5,514,147

EMPLOYEE FURLOUGHS

Mr. Wilson. Just to show you, when half of our government was on furlough, we couldn't furlough a lot of people in the Public Works Department. They were working overtime to get the city ready for the inaugural events.

And the fact of the matter is, we have a hard time explaining that to schoolteachers and other people when we go out there in the community. Why are these people working and we are not working? Well, the fact of the matter is that somebody had to lead and establish some priorities.

So, yes, we are different. There is no question about that. And I was glad that the President said, and other people are saying, that we need the money for municipal services. That is what we need it for.

You want to create jobs? We will create some jobs by not getting rid of some people because of this $28 million. Then we will use some of this money for the purpose of meeting other obligations that we have to meet, like police, fire, cleaning the streets, picking up the trash.

One thing about it, when you are running a city—and you are running a city, if you want to call this a city or if this is a city state—one thing you have, is that you have those little jobs that nobody pays very much attention to. There are infrastructure repairs that have to be done. We have to put down curbs and we have to have other people out there doing that and we have to fix broken water mains that are flooding half of the city.

FEDERAL GRANT PROJECTIONS FROM PRESIDENT'S REQUEST

Mr. Istook. Has anyone run any numbers or projections as far as the other, the grants that the President is requesting that would be available to cities? Has anyone run any projections in dollars and cents as to how much D.C. might reasonably expect to receive from those?

Mr. WILSON. Not until you vote. I would assume I wouldn't run any numbers until you vote. I am waiting for you to vote. When you vote I am running the numbers.

Mr. ISTOOK. I realize that last year you had the $30 million differential that you have discussed. You are trying to recoup that through the $28 million certainly. But how can we measure the $28 million unless we have a projection of how much D.C. might be receiving from some of these other funds?

If you are getting money from some of these other funds that fills some of the needs that you wanted the $30 million for, would you want to receive it twice—once in the form of the supplement for $28 million and the second through additional funding that comes through that stimulus package? I am asking have you looked for that duplication?

Ms. KELLY. There is not duplication because we would be getting the same thing any other entity in the United States of America would be getting.

Mr. ISTOOK. My question is on the services, though. Because that is intended to help municipalities to perform certain services and make certain infrastructure work that they are foregoing right now in their budget.

You are saying that you are foregoing certain things in your budget now because you don't have the $28 million and, yet, the other portions of the stimulus package are intended to assist D.C. as well as other cities in the country with that.

Ms. KELLY. I am not saying we are foregoing anything. I am suggesting without the President's economic stimulus package, the District of Columbia, just like I believe any other place in the United States of America, would be hard put to create some job opportunities, while at the same time beginning to invest in the much neglected infrastructure of this country as well as the much neglected children of this country. And I think that without his help, we would be hard put to meet that obligation just like any other place in America.

Separate and apart from that, however, is the basic obligations of the District of Columbia that are unique, both in terms of enormous limitations as well as special responsibilities to the Federal system, and that is what we assume the $28 million is to address. The CDBG money and all the rest of it is the same as it would be for any other place in America.

Mr. ISTOOK. I do ask for the record if you would look at this and what you say you have not done, and look as to what the District of Columbia might reasonably expect to receive from these other portions of the President's program in terms of dollars and in terms of how those dollars will be applied. I realize it is only a projection. That is all it can be. But I think it would be helpful, and I ask if you would submit that.

Mr. WILSON. Because like you, Congressman, when your Minority Leader was saying he came out of municipal government——

Mr. ISTOOK. I served there also.

Mr. WILSON. You know this municipal government has to deal with the bottom line. I don't look at anything that has not been voted on. When you vote, I will look. And then I will see what you have.

Mr. ISTOOK. I don't want to vote blind and vote on something I have not looked at.

Mr. WILSON. I mean when you vote on the whole economic stimulus package. I mean that I don't believe that all of this is going to go through here as easily as everybody says it is going to go through here. So history tells me—how long have you been here?

Mr. ISTOOK. I just got here.

Mr. WILSON. I have been here 18 years. History tells me things don't go like everybody says they are going to go. So I will wait and see how much you have in job training and child care, and then I will see how much we get at that point.

But that is not usually the way it works, you see. Usually the way it works is that the money goes to a totally different purpose and we usually get left out of the picture. We usually don't get incorporated in the picture as other jurisdictions do. And I would assume that there are some jurisdictions that have more difficulty than we have.

Mr. ISTOOK. Thank you. I would appreciate it if you could submit that for the record to us and to me in particular.

Thank you, Mr. Chairman.

[The following was supplied for the record:]

The District government is unable to determine the amount it will receive in Federal grants from the President's economic stimulus proposals because adequate information is not available at the present time.

DISTRICT'S UNIQUE RELATIONSHIP WITH CONGRESS

Mr. DIXON. If I could respond to some of the inquiries that have been made.

Those of us who have worked in either city or State government—I happen to have worked in State government—are accustomed to the traditional lines of authority that occur in States. The history of the District is the exception to the general rule.

When the Home Rule Act, which I think is really limited home rule, was enacted by Congress in 1974 as Public Law 93-198, perhaps there was an overzealousness to get a perception of what home rule was, and perhaps the District was not equipped at the time to do battle with Congress as it relates to its financial responsibilities. That has set up a conflict in many areas, in particular whether the pension plans for police and fire and, for that matter, for other District employees, were underfunded at the time.

The District, in my opinion, didn't have the competency at that time to figure out what the liability was, and Congress was not too anxious to point it out to them, although they had a very sympathetic member, Charles Diggs of Michigan, who carried that legislation.

But, Ernest, what I am saying is there are a series of conflicts. It is not unusual for the Federal Government to be a funder of last resort. In the case of the District, it is the funder of only resort. We pay them a Federal payment which is in lieu of property taxes and other revenues the city is unable to assess or collect because under Article I, Section 8, clause 17 of the Constitution this is the Federal City and because there is so much land mass that is occupied by the Federal Government here. And for a long period of time, the Federal payment amount was strictly an arbitrary figure.

FORMULA FEDERAL PAYMENT APPROVED AT WRONG TIME

Now, the truth of the matter is, Madam Mayor—and you may disagree with me—but the truth of the matter, from my perspective, is that the Federal payment formula came at the wrong time. It was something that had been pushed for years. It is something that is right. But it finally passed at a time when the District had declining revenues, and, from a partisan point of view, as I shared earlier with Jim, a very sympathetic, presumably sympathetic, President. So what the District had been asking for they received but at the absolute wrong time.

CHRYSLER AND NEW YORK BAILOUTS

But there are equities in the Federal system. There was an equity displayed when we bailed out Chrysler Corporation. They had other resources that they could have called upon. They had exhausted them, and we acted as a court of last resort. And, as I pointed out, there is no other way the District can go but to the Federal Government. They cannot go to their State government, and they cannot borrow from States.

When New York was in a crisis, we came to their aid.

I view, and I recognize very clearly that the District will be eligible for other programs in the President's economic stimulus proposal, but that has nothing to do with what I see as our obligation to come to the assistance of the Nation's Capital if we are convinced that its administration—the Mayor and the City Council—are acting in good faith and providing their best efforts to end the financial crisis and provide municipal services.

I just wanted to give you my point of view on it.

Henry.

PURPOSE OF PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

Mr. BONILLA. Thank you, Mr. Chairman.

First of all, I would like to thank you for coming in today. I have learned a lot from listening to all of you, discuss the District of Columbia and its fiscal problems.

I wonder if we are talking about apples and oranges here. I know there is a need to fund these services. But this request is part of an economic stimulus package for the United States of America. How would this request, in your opinion, help the U.S. economy?

I am having a hard time digesting whether this is really an economic stimulus.

Mr. WILSON. No, Congressman, this is an economic stimulus. I think that just having the resources to repair our streets and our sewers and our water mains and things of that nature are going to be an economic stimulus just for your convenience, if you are going to be here for a while, simply because there is nothing more——

Mr. BONILLA. I live in the District of Columbia, by the way.

Mr. WILSON. That is right. There is nothing more devastating than to walk home and find out you cannot get down your street because our water mains have burst because they are 100 or 200 years old. It will be an economic stimulus to the District of Columbia, and it will be an economic stimulus for the country.

I think that what happens within this beltway sometimes is a lot more important than what happens outside of this beltway. A lot of people look at it just the opposite way, you know, but I think if things are not well within the beltway, things are not going to be well outside of the beltway.

YOUTH INITIATIVES

It also gives us the opportunity to continue the Mayor's youth initiative program, which means we are going to hire people, and which means also that the country can look at the city as a laboratory for this youth initiative program with things that it can do in other cities that we are trying to do that may change the whole way that the cities themselves run and operate as far as young people are concerned.

Ms. KELLY. Let me take a stab at it, too.

In view of the fact that the Nation's capital, the District of Columbia, often is the world's only glimpse of this country, I would assume that the President would think it imperative that the District be able to, one, provide those basic services to their Federal system for all of the dignitaries that come here, the international visitors that come here. The District has rapidly become a major gateway to what is now a global market.

Secondly, is the whole perçeption, particularly given the youth initiative, not only to create work, but it begins to end a perception, both regarding the Nation's capital and this country, hopefully, about our commitment to youth and their capacity to get a grip on this problem of crime, which is a disincentive often to foreign investments and other economic initiatives in a global market.

So I think it is key to that. I think it would be a great mistake, quite frankly, to look at every other aspect of the tapestry of this country and ignore what is now the focal point of the world's perception of America.

IMPACT OF BUDGET REDUCTIONS

Mr. WILSON. Also, Congressman, you have to look at the fact that we are in a situation—the Mayor and I have been in a situation since day one when we took office—of cut, cut, cut, cut; take, take, take, take. We are at a point where our population doesn't have very much hope, either, and really feels that they have been deserted by their local government, been deserted by their Federal Government.

When we are meeting with the school system—you know, one of the big difficulties is that just putting in a door or a window or something has become a major obstacle—we are talking about closing these facilities and trying to consolidate some of these facilities, and we are doing everything that the Congress has directed us to do, basically, over the last two years.

And then, right in the middle of that effort, you hit us—you hit us with a big $30 million hole when, in fact, we needed the funds just to get over the crisis that we were in in the first place.

So, as your Ranking Member said, can we spend it? Yes, we can spend it. We don't have any problem with that amendment.

Mr. BONILLA. Thank you.

Thank you, Mr. Chairman.

Mr. DIXON. Jim, do you have any other questions?

Does any Member have any other questions?

Mr. WALSH. No.

CONCLUSION OF HEARING

Mr. Dixon. Madam Mayor and Mr. Chairman, thank you very much for your appearance here today. It is Chairman Natcher's intention to move this bill expeditiously. And, depending on what the Senate does, probably by the end of March you will know whether you have the money.

I want to thank both of you and your staffs for coming up today.

ADDITIONAL HEARING

If the Members will stay just a minute. At the request of the Ranking Minority Member, and his colleagues, we will have another hearing tomorrow with witnesses he and his colleagues choose, and our markup will follow the hearing.

[A copy of the request referred to follows:]

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 23, 1993

Honorable Julian Dixon
Chairman
Subcommittee on the District of Columbia
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to Rule XI, clause 2 (j) (1) of the Rules of the House of the Representatives and Section 5 (d) (1) of the Rules of the Committee on Appropriations, which permits the minority to request one day of hearings on any matter before the subcommittee, we respectfully request that the minority be permitted to have an additional day's hearing with witnesses requested by the minority, to be scheduled at a mutually convient time. We do not believe that a short hearing is sufficient to address adequately the programs contained in this package.

Sincerely,

Jim T. Walsh
James Walsh
Ranking Minority Member

Henry Bonilla

Ernest J. Istook

CHAIRMAN'S MARKUP RECOMMENDATIONS

Mr. **Dixon**. It would be my recommendation to accept the request of the President of $28,177,000; to include report language to make clear that this $28,177,000 is not part of the formula Federal payment; and to modify the bill language, at the request of Mr. Walsh, to make the funds available until September 30, 1993, instead of until expended.

That would be basically what the Chairman would recommend.

And, as I indicated, I will not raise the issue or move to lift the two restrictions at the subcommittee level, but perhaps I will raise the issue of the abortion language in the Full Committee. I will certainly give the Ranking Member ample notice on that.

Mr. **Walsh**. We appreciate your honoring our request to hold the markup tomorrow, and we will work with you to get this ready.

Mr. **Dixon**. Certainly. Get with our staff as to the appropriate time.

The Committee stands adjourned until tomorrow subject to the call of the Chair. We are adjourning just in time to go vote on the House floor.

LETTER FROM MAYOR AND COUNCIL CHAIRMAN

[Clerk's note.—The following letter signed by the Mayor and the Council Chairman was subsequently received for the record:]

THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20004

SHARON PRATT KELLY
MAYOR

February 26, 1993

The Honorable Julian C. Dixon
Chairman, Subcommittee on District
of Columbia Appropriations
H-301 U.S. Capitol
U.S. House of Representatives
Washington, D.C. 20515-6015

Dear Mr. Chairman:

We are writing to expand upon our testimony and respond to your request for additional information concerning the economic stimulus benefits which would accrue if President Clinton's proposal of $28.2 million for the Government of the District of Columbia is approved by the Congress.

The majority of the funds will be utilized to support efforts to provide for essential public safety, create job opportunities, stimulate business and economic development, expand health services and aid families and children at risk. A portion of the $28 million included in the President's request will be utilized to employ 300 social workers in the Commission on Social Services. This additional staff will enable the Commission to begin to address the case load requirements mandated by a variety of consent decrees imposed upon the District. More importantly, the social workers will concentrate their efforts on family and children services to begin to identify issues and problems in the early stages when preventive techniques may be applied successfully.

The funds will also allow for the expansion of the "Turning Points" program, an intensive prevention/intervention program aimed at youth ranging in age from 10-14. Turning Points is designed to provide comprehensive services and targeted to keeping kids in school and out of the juvenile justice system. Developed by the Carnegie Foundation, the program consists of the most successful aspects of youth crime prevention programs that have been tried across the country. Turning Points, a collaborative effort with the Department of Recreation, the Courts, the Public Schools, and the Department of Human Services, is currently operating in four schools and these funds will enable us to expand to four additional schools. Already, we are seeing results of providing health screening and other health services, after school programs, and productive recreation opportunities to program participants.

Consistent with our commitment to youth and the President's economic stimulus initiatives, the funds will support our Summer Youth Employment Program and will support 5,000 jobs for District youth who otherwise would not be eligible for the summer jobs program. In addition, we anticipate hiring 200 college students as recreation counselors and playground supervisors.

In the area of public safety, funds will be utilized to create approximately 100 civilian jobs in the Police Department. We have identified job functions currently performed by police officers which could be performed by civilians. Creating these civilian positions will have the further benefit of returning approximately 200 police officers to walking the beat and other neighborhood patrol duties. These funds will enable the District to double the number of police officers assigned to a successful crime prevention pilot program in D.C. public housing. We also plan to establish a new police resident training program to strengthen skills for the police department's younger recruits.

In the area of health, additional resources will enable the District to expand health services and hours at targeted neighborhood centers and support special efforts to immunize every 2 year old in the District of Columbia.

Lastly, we want to point out that should these funds not be made available, we will be forced to impose additional reductions in government services. Any further cuts will serve as a major disincentive for job creation and business development. Since 1991, we have made a series of structural and program reforms and reduced in excess of 4000 positions. The number of persons on the payroll has been reduced by approximately 1400 in the two year period January 1991 to December 1992. The fiscal year 1994 budget currently before the Council of the District of Columbia has identified approximately 2300 positions which will be abolished. We must begin to address the issues of families and to redirect our spending to prevention and programs which provide improved and expanded educational, recreational and employment opportunities for our youth who are our hope and our future.

We were pleased that the Subcommittee approved $28 million during Wednesday's deliberations and it is our hope that these essential funds will be forthcoming.

Sincerely,

Sharon Pratt Kelly
Mayor

John A. Wilson
Chairman
Council of the District of Columbia

WEDNESDAY, FEBRUARY 24, 1993.

DISTRICT OF COLUMBIA SUPPLEMENTAL FOR FISCAL YEAR 1993

PUBLIC WITNESSES

JAMES C. MILLER III, CHAIRMAN OF THE BOARD OF CITIZENS FOR A SOUND ECONOMY

STEPHEN MOORE, DIRECTOR OF FISCAL POLICY STUDIES, THE CATO INSTITUTE

HON. ELEANOR HOLMES NORTON, DELEGATE FROM THE DISTRICT OF COLUMBIA, U.S. HOUSE OF REPRESENTATIVES

Mr. DIXON. The Committee will come to order.

When we adjourned yesterday, Mr. Walsh asked that we have an additional day of hearings to take additional testimony from witnesses he and his colleagues wanted to hear to discuss the issue. So I will let Mr. Walsh proceed.

Mr. Walsh.

INTRODUCTION OF WITNESSES

Mr. WALSH. Mr. Chairman, I would like to thank the Chairman for allowing us to continue our discussion today. I would like to introduce our first witness, James C. Miller. Mr. Miller has a Ph.D. in economics and is chairman of the Board of Citizens for a Sound Economy.

At the same time, I would introduce Stephen Moore, Director of Fiscal Policy for the CATO Institute, who will also be testifying today.

Mr. Chairman, I would ask that their statements and all comments be made part of the official record.

Mr. DIXON. Without objection, they will be included in the record.

[CLERK'S NOTE.—Mr. Miller did not have a prepared statement and the official reporter was not present to record Mr. Miller's remarks during the first five minutes of the hearing.]

IMPACT OF ADDITIONAL $28 MILLION

Mr. WALSH. Mr. Miller, if we spend $28 million in the stimulus package for the District of Columbia, will it help stimulate the economy?

Mr. MILLER. Well, I am a little bit constrained because I have to pass Congresswoman Eleanor Holmes Norton on the way out. But my observation is the District of Columbia has fundamental problems that have to be addressed on the spending side. I mean real fundamental problems, and I think Mayor Kelly has dealt with them and is dealing with them. They are intractable problems, but they have to be addressed.

Giving the District more money would not stimulate the economy, would change the burden of how some of the expenditures are financed. But I don't see any special reason to give the District more money.

Mr. WALSH. Thank you, Mr. Chairman.

Mr. DIXON. Mr. Durbin.

Mr. DURBIN. No questions.

Mr. DIXON. Mr. Istook.

COST TO CREATE JOB

Mr. ISTOOK. You mentioned the $650,000 job figure. Historically, how much has the Federal Government spent to create a job?

Mr. MILLER. You know, it is all over the map. I mean there are places where the Federal Government spent relatively little in creating jobs. You can do tax credits and things like this and you create jobs at a fairly low cost. But I mean there have been places where we spent hundreds of thousands of dollars.

GAO did a study, and generally speaking, this confirms what other organizations have done. In terms of looking at that, I don't know whether Steve Moore from CATO has done any surveys of that or not.

Mr. MOORE. Transit gets to be as high as about $200,000 per job, so it does vary extensively from program to program.

Mr. DIXON. Mr. Moore, would you identify yourself for the record? And I am going to give you an opportunity to testify.

Mr. MOORE. My name is Stephen Moore and I am Director of Fiscal Policy Studies at The CATO Institute.

ENTERPRISE ZONE CONCEPT

Mr. ISTOOK. Taken within the purview of this particular subcommittee—the District of Columbia—has there been any experience in taking something like a tax credit and targeting it specifically to a locality? In essence, you are talking about an enterprise zone type concept. Has there been any experience in something like that?

Mr. MILLER. I don't know of any. Of course, if you want to do something like that, you could say that Washington might be an experiment. But I mean I don't want to do it for Washington and not for other cities that are in a similar circumstance, but in a little broader based situation.

EMERGENCY DESIGNATION OF REQUEST

Mr. ISTOOK. And you are aware about the scoring of the package that we are talking about as it relates to Federal Government, declaration of emergency?

Mr. MILLER. Coming out from under the restraints, yes. Well, I mean, but that is sort of par for the course. I mean, we are talking about redrafting Gramm-Rudman-Hollings. Congress can always figure out a way of getting around these kinds of restraints if it truly wants to.

I think it is a very bad idea. I was very critical of the 1990 budget deal. I wrote a piece that generated a lot of ire; I was never invited to the White House again, you know, stuff like that. But I mean, I told the truth. I told what I thought, you know—but at least it did have some caps in it. It had front-loaded spending increases, front-loaded tax increases and back-loaded spending restraints, and, of course, in years three, four and five. But you never get to three, four and five. There is always some kind of emergency, some kind of catalytic change, some kind of excuse to change the numbers.

Just like the President didn't change the sequester when he came into office. You know, in his budget, the base line does not reflect the caps. Caps are current law. You got to change the law or else you have the caps. And if you are putting together a base line that is truly honest, you would put the number in at the discretionary caps.

Mr. ISTOOK. Thank you, Mr. Chairman.

Mr. DIXON. Mr. Bonilla.

Mr. BONILLA. Thank you.

I have no questions. I just want to thank you for coming today. Your points are very well taken and I hope you catch your plane.

Mr. DIXON. All right. Thank you, Jim.

Mr. MILLER. Thank you, Mr. Chairman.

Mr. DIXON. Next we have Mr. Stephen Moore, who is the Director of Fiscal Policy Studies at The CATO Institute.

Mr. Moore, if you have written testimony, we would be pleased to receive it for the record. If you would like to make some oral remarks, now is your opportunity.

PREPARED STATEMENT OF STEPHEN MOORE

Mr. MOORE. Well, I do have written testimony that I would like to submit.

[The prepared statement referred to follows:]

TESTIMONY OF

STEPHEN MOORE

DIRECTOR OF FISCAL POLICY STUDIES

THE CATO INSTITUTE

BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS

DISTRICT OF COLUMBIA SUBCOMMITTEE

FEBRUARY 24, 1993

ON

PRESIDENT CLINTON'S FISCAL STIMULUS PROPOSAL

Good afternoon. My name is Stephen Moore. I am the director of fiscal policy studies at the Cato Institute. Thank you for the opportunity to testify before the Committee today to talk about the fiscal stimulus proposal particularly with respect to an increase of roughly $30 million of additional funds to the District of Columbia.

First a few words about Bill Clinton's $8 billion spending stimulus plan in general. While we are all concerned about the slow growth of job creation in this recovery, such a policy course would be supremely inadvisable for several reasons.

First, the past four years have already witnessed the most massive fiscal stimulus in the United States in peacetime. From 1989 to 1992 total domestic outlays, adjusted for inflation, have risen by $200 billion. This is a real rate of increase of more than 8.5 percent per year on domestic spending--the fastest rate of increase in 30 years. What about this year, FY1993? Spending continues to rise at a brisk pace. Even without any fiscal stimulus, federal outlays will climb by 8 percent--that is twice the rate of inflation. Federal spending is expected to reach a record 25 percent of GDP in 1993.

In sum, we do not need the committee to enact a fiscal stimulus because we already have a substantial fiscal stimulus in place right now.

Second, as this committee well knows, this spending has been financed by huge deficits. Federal deficits are supposed to be stimulatory. Yet, over the past four years the deficit has averaged nearly $300 billion per year--or roughly 4.5 percent of GDP. The ratio of deficits to GDP was higher under the Bush years than under any other post-World War II president. So if a fiscal stimulus were a solution to our economic woes, then we would now be debating George Bush's budget plan, not Bill Clinton's. Instead the economy limped along at roughly 1 percent growth from 1989 through 1992.

What has been dragging down the U.S. economy is too much federal borrowing and too much federal spending--not too little.

Third, Clinton's high priority programs have not been cut. Some defenders of the spending stimulus plan say that although we had a massive spending build-up in the past four years, the money was not spent on the kind of job creating "investment" programs that should be our top priority. While it is true that a huge portion of our budget increases in the past four years have been oriented toward transfer payments, the savings and loan bailout, and interest payments, the high-priority programs that Clinton himself has targeted have not been neglected. They have enjoyed large budget increases as well.

The attached table shows how federal spending has risen for 20 programs that have been targeted for increases under the Clinton stimulus program and investment program. To summarize: between 1989 and 1993 real spending for children's programs will rise by 67 percent; education and training is up 16 percent; federal aid to states and cities is up 60 percent; infrastructure outlays are up 32 percent; nutrition is up 72 percent; and research and development spending is up 20 percent. All told, this is a four year spending increase of $100 billion, a 43 percent real increase. This has not been a period of neglect--not by a long shot.

A fourth reason to be very skeptical of the wisdom of a spending stimulus in 1993 is that it will seriously impede long-term deficit reduction prospects. The reason for this is that by raising spending in 1993, you not only increase outlays for this year, but you also increase the baseline spending levels for every future year. This means, for example, that an $8 billion spending increase in 1993, will transfer into a $10 billion increase in 1994, a $12 billion increase in 1995, a $16 billion increase in 1996 and so forth.

In a Cato Institute plan to balance the budget by 1998 without any new taxes, we recommend that President Clinton take precisely the opposite course of action--that is a spending reduction in 1993 not a spending stimulus. A two percent across the board sequester in 1993 would save about $14 billion in 1993 and about $25 billion in 1997.

A spending stimulus will not put Americans back to work sooner, but I can tell you with great assurance what will put hundreds of thousands of more Americans out of work this year. That is the plan to make the Clinton income tax increases retroactive to January, 1993. This is a $3 billion tax hike that will, at the very least, negate about half the spending stimulus. So if we want to stimulate the economy, it makes no sense to be raising taxes now. But more importantly, raising marginal income tax rates on businesses and investors will have a very negative impact on job creation. If the Clinton plan is enacted, I would expect to see a huge outflow of capital from the U.S. to other low-tax rate nations, thus reversing the job creation gains from capital inflows that occurred in the 1980s.

John Kennedy once said in a speech 30 years ago: "An economy hampered by restrictive tax rates will never balance the budget -- just as it will never produce enough jobs or enough profits." He said this when he unveiled his tax rate reduction plan that was to produce one of the longest periods of prosperity in U.S. history.

So I urge the members of this committee to think like John Kennedy Democrats. Do not raise any taxes this year, at the very least, when there are so many millions of Americans still out of work.

But what about the issue of providing additional funds for the District of Columbia. There is no question that Washington, D.C. is in a condition of severe fiscal and economic crisis. In the last twenty five years Washington has lost 150,000 people or about one-fifth of its population. It has also lost about 10 percent of its jobs and businesses, which has contracted the tax base.

Washington, D.C.'s fiscal and economic problems are a direct result of too much spending, not too little. In 1991 we published a study at the Cato Institute showing that Washington's government "is probably the worst in the nation, with the possible exception of Detroit." The average state has roughly 500 state-local employees per 10,000 residents. Washington has 880.

The average cost per student in the Washington, D.C. public schools was roughly $6,000 in 1990, compared with about $4,300 for the fifty largest cities. In Washington, D.C. today an elementary school student can get a better education for half the cost in the private school system.

In 1990 Washington, D.C. collected $4,570 per resident in own-source revenues. In 1990 the average amount of state and local taxes per resident of the 50 largest cities was $2,890. Meanwhile, taxes alone are about $2,000 per year higher in D.C. per person than are combined state and city taxes in the fifty largest cities. And this does not even take account of the large payments the district already gets from the federal government each year.

Income taxes in Washington, D.C. are the highest of any city in America except New York. The average D.C. family pays about $1,500 per year more in income taxes than a comparable income family in the typical large American city.

Again, Washington, D.C. is not underfinanced or undertaxed.

The problems of Washington D.C. stem precisely from the high costs of services, the large bureaucracy, and the very steep tax premium that a family pays to live in D.C. We have just published a study on the economic growth rates of cities, including Washington, D.C., which shows that high growth cities in the 1980s had about one-half the level of taxes and one-half the level of spending that low growth cities do. The attached charts show this relationship plainly for job growth and population growth. Washington, D.C. is one of the lowest growth cities and highest spending cities in the sample.

In sum, Washington will only solve its long term economic and fiscal problems by dealing with its enormously excessive expenditures. Providing the District with more funds to spend will only encourage further outlay growth and delay its day of reckoning.

Thank you again for the privilege of testifying before this committee.

Table 6
Relationship between 1960-89 Job Growth and Size of City Government in 1990

Job Growth	Expenditures* per Capita, 1990	Expenditures* as Percentage of Money Income, 1990	City Tax Revenue as Percentage of Money Income, 1990	Monthly City Payroll per Capita, 1990
Highest growth cities over 200% growth (n=14)	$819	7%	3%	$33
High-growth cities 100% to 200% growth (n=14)	$846	7%	3%	$29
Average-growth cities 30% to 99% growth (n=18)	$823	7%	3%	$34
Low-growth cities -10% to 29% growth (n=18)	$1,276	11%	6%	$58
Lowest growth cities over 10% shrinkage (n=12)	$1,121	12%	6%	$59

* Do not include expenditures on health, education, and welfare.

Figure 3
Relationship between City Spending in 1990 and Job Growth, 1960-89

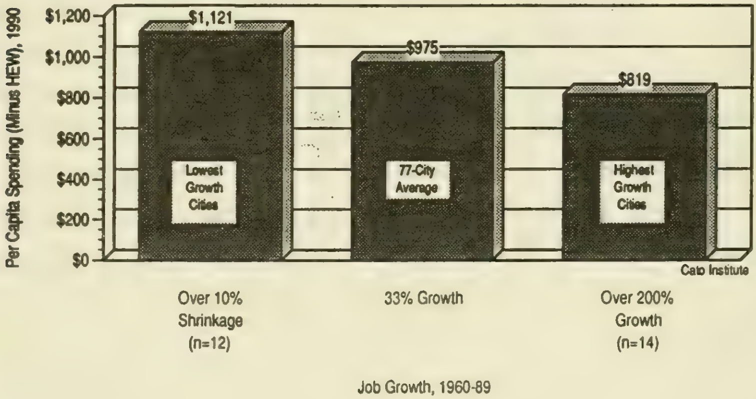
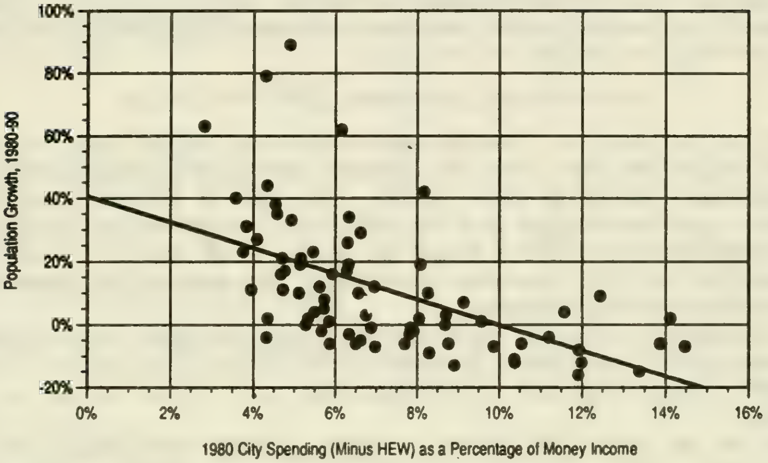


Figure 5
Relationship between 1980 City Spending and 1980-90 Population Growth



pupil expenditures in growing and affluent areas if only because the residents have more money to devote to the schools.[23] Indeed, the education lobby has successfully argued before several state supreme courts that school financing is inequitable because wealthy areas spend more on schools than do poor areas.

Opening Remarks of Stephen Moore

Mr. Moore. Thank you for the opportunity to testify this afternoon.

Let me start by just making a few key points about the whole idea of the fiscal stimulus, and then talk specifically about the situation with the District of Columbia.

FISCAL STIMULUS DURING LAST FOUR YEARS

Point number one, I would agree with Jim Miller that we have had in the last four years the greatest period of fiscal stimulus in peacetime history in this country. And just to add to what Jim Miller said, he is right that we had huge budget deficits to stimulate the economy. But I would go further and make a case that almost all of that stimulus occurred in the area of the domestic spending area of the budget.

Adjusted for inflation from 1989 through this year, real domestic spending will have risen by about $200 billion. That is one of the fastest rates of growth in the domestic area of the budget in 30 years.

So we do have—Jim Miller is right—a fiscal stimulatory policy already in place. And let me just add by saying that in 1993, the year that we are in right now, Federal spending is growing by about 8 percent. So when we are talking about a fiscal stimulus, we are talking about adding money to an already 8 percent increase in budgeting over this year.

SEGMENTS WHERE SPENDING HAS INCREASED

Now, another important point that I would like to make to you is, let me find my chart—the fact of the matter is that when you look at where the spending has occurred over the last four years, it is true that we have large expenditures in entitlements, and it is true that we have large entitlements in the area of the savings and loan bailout and so forth, but it is not true that we have a substantial amount of what Bill Clinton would call high-priority programs that haven't been funded.

What I have done in this little chart that I would like to submit for the record is just showing you in some detail how much money we have spent on these high-priority programs already.

[The chart referred to follows:]

WHAT UNMET SPENDING NEEDS?

	1989	1993	% Increase
	Billions 1990 $		
Children's Programs			
Child Care Grants	0.0	1.0	NA
Head Start	1.4	2.8	100%
Infant Mortality/Immunization	6.7	9.7	45%
Subtotal	8.1	13.5	67%
Education and Training			
Department of Education	26.4	31.4	19%
Job Training	4.3	4.2	-2%
Subtotal	30.7	35.6	16%
Federal Aid to States/Cities			
Community Development Grants	3.5	4.0	14%
Drug Prevention/Treatment	7.6	12.7	67%
Other Aid to States and Cities	78.4	126.1	61%
Subtotal	89.5	142.8	60%
Infrastructure			
Airports	1.3	1.8	38%
Environmental Protection	6.0	6.9	15%
Highways	15.6	18.5	19%
Housing and Urban Development	16.5	25.0	52%
Prisons	1.8	2.3	28%
Transit	3.1	3.8	23%
Subtotal	44.3	58.3	32%
Nutrition			
Child Nutrition Programs	6.5	9.7	49%
Food Stamps	14.9	27.1	82%
Subtotal	21.4	36.8	72%
Research and Development			
AIDS Research	1.5	2.1	40%
National Institute of Health	8.2	10.6	29%
National Science Foundation	2.2	2.7	23%
Other Domestic R & D	24.6	28.3	15%
Subtotal	36.5	43.7	20%
Grand Total	230.5	330.7	43%

Source: Stephen Moore, Cato Institute, 1992.

SPENDING INCREASES

Mr. MOORE. If you look, for instance, at children's programs, the budgets are up by 67 percent and these are all in real terms. If you look at education and training, up 16 percent. Federal aid to States and cities, which is especially important to this committee, is up 16 percent. Infrastructure spending, which has become a big buzz word in this town, up 32 percent. Nutrition up 72 percent. R&D up 20 percent. So we are spending already a substantial amount of money on the very programs that this fiscal stimulus is supposed to address.

Now, let me make one final point about the general fiscal stimulus. Which is, that if you want to stimulate the economy, the best thing that you could do is to get rid of the idea that Clinton has proposed, which is to front load the income tax rate increases. As you are all aware, Bill Clinton's proposal would make the income tax rate increases effective January 1st, 1993. That will have a substantial, fiscally contractionary effect on the economy.

So rather than spending new money on the economy, what I would suggest to you is the best thing that you could do, and I think that former Senator Bentsen, now Treasury Secretary, has talked about the possibility of moving that date from January 1, 1993 to 1994. I would urge the Congress to consider that.

CONTROVERSIAL STUDY OF DISTRICT GOVERNMENT

Now, let me very briefly get to the issue of the District of Columbia and this $28 million increase for this year. Many of you may be aware that last year we at The CATO Institute published a rather controversial study called "The District of Columbia: America's Worst Government." And the reason that we called the District of Columbia America's worst government is because of the spending and tax policies that are in place in the city right now.

Let me just go over some of these figures with you, to demonstrate how high costs are running in D.C. versus other cities and States of similar size. The average cost per student, for instance, of educating a child in the public schools in Washington D.C. in 1990 was about $6,000. This compared with about $4,300 for the largest 50 cities, which would be a comparable situation.

Interestingly enough, in Washington, D.C. today, an elementary school student can get a better education for about half of the cost in the private school system in the Catholic schools, for instance, in Washington.

Another example, looking at, for instance, revenues. In 1990, Washington D.C. collected about $4,570 per resident in source revenues. In 1990, the average amount of State and local taxes per resident of the 50 largest cities was about $2,890.

Meanwhile, taxes alone—taxes, not counting other kinds of fees and so forth—are about $2,000 per year higher in D.C. And let me emphasize here that when I am comparing with other cities, I am not just looking at the city taxes; I am combining the city and State taxes to make those comparable to the situation in D.C.

The situation that I think is most out of control is the income taxes in Washington, D.C. are the highest of any city in America, except for New York. The average D.C. resident—or I am sorry, the average D.C. family pays about $1,500 per year more in income taxes than a comparable income family in the typical American city.

So, in sum, Washington, D.C. is not an underfunded city, it is not an undertaxed city; it has plenty of revenues. The problem with it is this out-of-control spending.

ECONOMIC GROWTH RATES OF CITIES

Now, we have just published a study at CATO on the economic growth rates of cities, including D.C., and what we find is that high-growth cities in the 1980's had about one-half the level of taxes and spending that low-growth cities did. In other words, taxes and spending policies are having a negative impact on the growth rates of cities.

SPENDING IN CITIES AND POPULATION GROWTH

The last chart to my testimony which I think all of you have demonstrates this, and I would just point your attention to this figure 5 which is at the back of my testimony, which simply shows the relationship between spending in cities and the population growth rate in cities. Population growth is a good indication of how cities are growing.

What we find in this chart is a very negative relationship, and I would just point out to you that if we wanted to identify where Washington D.C. is on this, they are somewhere in the lower right-hand corner. Very high spending in taxes, very low in population growth.

So let me conclude by saying that I urge you not to approve a $28 million increase for the District of Columbia this year, because I think it would only fan the problems that this city has, and in the long term, Washington needs to get their taxes and spending under control. I don't think this $28 million appropriation would achieve that.

Thank you.

RELATIONSHIP OF TAXES AND SERVICES

Mr. Dixon. Thank you, Mr. Moore, for your testimony.

If I understand correctly what you are saying, your cure for the city is to cut taxes, and then the other problems will resolve themselves. I would interpret cutting taxes to mean cutting services.

Mr. Moore. Well, if you look at the situation in D.C., one of the points that I tried to emphasize is that there is no reason that service costs are so high in D.C. relative to other cities.

I looked at education because education is the type of service that should roughly cost the same amount from one city to the next, and yet you have a grossly higher figure in Washington. So I would argue that by bringing down taxes, you could actually bring in more people and expand the tax base for Washington.

FAIRNESS OF COMPARISONS

Mr. Dixon. Well, I would think that one of the things that would go into the cost of education would be the pool of students that you are dealing with, the population, and whether they need remedial training, whether there are health needs involved.

Mr. MOORE. Sure.

Mr. DIXON. In other words, what I am saying is, I don't know how you can compare the students of Beverly Hills, California with the students of Washington, D.C.

Mr. MOORE. Well, in fact, in this study we didn't do that. What we compared was Washington D.C.'s spending relative to the 50 largest cities. So I mean we are comparing in this study Washington D.C. with Detroit and Cleveland and St. Louis, and other inner cities. You may be right that D.C. has special problems, but many of these other cities in the sample have those same kinds of low-income problems and so forth.

SUGGESTION TO CUT BUREAUCRACY

Mr. DIXON. What services would you cut when you cut the taxes?

Mr. MOORE. Well, I would cut bureaucracy, for one thing. And I know that the mayor has proposed doing that. But D.C. has a significantly larger number of people on the public payroll in this city than comparably large cities.

I have the figures in here. Let me see if I can find them.

UNIQUE SITUATION OF DISTRICT

Mr. DIXON. I have heard many times that the District is unique in many ways, certainly in its relationship to the Federal Government, but also as far as the other services it performs. Therefore, it can't be compared to another city because its jurisdiction is more expansive than the jurisdiction of a city.

Mr. MOORE. You are right about that. And let me just simply say that in this study we tried to recognize that fact, and that is why, for instance, when I gave you some of the tax data and so forth, we not only compared D.C. with, for instance, the tax levels within the city, but also what a resident pays in State taxes to try to make it—because D.C. is a city/State.

There are special problems with D.C. in terms of making these comparisons, I won't deny that. But when you are talking about, for instance, D.C. having about 880 State local employees per 10,000 versus 500 in a comparable sized city, I think that is a very large magnitude. You are talking about 80 percent more employees than a typical city.

Mr. DIXON. The mayor and this administration are making some efforts to cut employment at the District level. Would that solve the problem? Would that correct the problem in its entirety?

You see, what I am trying to find out is, where would you make——

Mr. MOORE. It is not just payroll.

CATO INSTITUTE REPORT ON DISTRICT GOVERNMENT

I would urge you to look at this report that we put out. It has a whole series of recommendations.

One of the things that I would propose for the District, as I mentioned, you have a situation in D.C. where in many of the Catholic schools and so forth that aren't even fully staffed with students, you could provide, say, a voucher for kids to go to those schools. It would cost perhaps half as much for the city to educate the kids in those schools.

You wouldn't have to provide a voucher for all the students, but you could pick, for instance, some of the worst schools in the District and try and experiment and let those students go to some of the private schools and so on.

The general point, however, is that when you compare one service with another, whether you are talking about education or garbage collection, they tend to be higher in D.C. Whether that is because of the unionization and so forth, I don't know.

Mr. DIXON. I would suggest that we continue for another five minutes, Jim, and then go down to vote on the 10 minute bell.

Mr. Walsh.

Mr. WALSH. Thank you, Mr. Chairman.

Thank you, Mr. Moore, for your testimony. A couple of specific questions, and then I will get to the general questions.

TAX COMPARISON

You talked about District of Columbia taxes being high, higher than most cities. You said you took cities and combined their State income tax rate with the city income tax rate?

Mr. MOORE. That is right.

Mr. WALSH. And property tax rate also?

Mr. MOORE. Well, there were two comparisons I gave you. One was just overall tax levels, and D.C., I don't remember the exact number, significantly higher. Then we looked at just the income tax rate.

The reason I focused on income tax is that we find that income tax rates for cities are the most poisonous in terms of keeping businesses and investors in the city. D.C. is far above other cities, even when you combine it with the State income taxes.

EFFECT OF TAX LEVEL ON GROWTH RATE IN COUNTRIES

Mr. WALSH. Secondly, you stated high-growth cities are low-tax cities. How about countries?

Mr. MOORE. We find the same relationship. Absolutely. The countries with the lowest taxes overall are the United States, Japan has very low taxes, although we are taxed lower than Japan, Hong Kong, Taiwan. And then the countries with the highest taxes among the industrialized countries are countries like Sweden and so forth—Britain has very high taxes.

CITIES WITH LOW TAXES AND GOOD SERVICES

Mr. WALSH. Is it conceivable that a city or a country could have low taxes and good services?

Mr. MOORE. Oh, we found, absolutely, that you do have, in many of the highly built cities in America today, whether you are talking about cities like Sacramento, Raleigh, North Carolina, Boston, these cities tend to have low cost for service, but there is no evidence, for instance, in Washington, D.C. that the public schools are better, garbage collection is better, even though they are spending 50 percent more on the services.

TAX EXEMPT PROPERTY

Mr. **Walsh**. One of the more interesting and somewhat unique things about Washington, D.C. is the property tax, a good deal of the property is owned by government or other tax-exempt entities. And I don't know what the exact amount is; I heard the figure 42 percent yesterday and 60 percent, and I am not sure which was property and which was overall income, nontaxable.

My hometown of Syracuse is 51 percent property tax, 51 percent tax exempt. In other words, 49 percent of the real property in the city of Syracuse is taxable.

Is that a situation that you would find across the country in large cities?

Mr. **Moore**. You mean that percentage being not taxable?

Mr. **Walsh**. Yes.

Mr. **Moore**. That wasn't really an issue that we looked at.

Mr. **Walsh**. Okay. It might be a factor that you should include in the future in your analysis of cities, because they tend to be, especially cities that are a county seat, for example, tend to have a lot of county-municipal property, city-municipal property, and so on. In the case of Washington, obviously it is Federal.

Mr. **Moore**. Right.

Clerk's note.—57.5 percent of the District's land area is tax exempt. See "Clerk's Note" on page 362.]

CLASSIFICATION OF $28 MILLION REQUEST

Mr. **Walsh**. Lastly, this $28 million that you are suggesting we not spend, would you consider that in the traditional sense economic stimulus?

Mr. **Moore**. Well, traditionally defined, it would be a fiscal stimulus.

I would say this: If you do provide $28 million more money for the District of Columbia, the best thing that the District of Columbia can do with that money would be to lower taxes.

Mr. **Walsh**. That was my next question.

Mr. **Moore**. In other words, it would be horrible if the District took this money and simply spent it.

POPULATION LOSS IN DISTRICT

The problem with the District of Columbia is it has lost 150,000 people over the last 25 years, and those have tended to be their most productive people, their entrepreneurs, their investors and so forth. To make the District a strong growth city in the future, they have to bring those people back.

USE OF $28 MILLION TO REDUCE INCOME TAX RATE

One way of doing that would be, for instance, I would take the $28 million, if you give it—and again, I would advise against that. I would advise the people on the City Council and so forth to use that money and replace some amount of income tax, chop the income tax rate or something of that nature, or chop the property tax rates. That will bring people back.

Mr. **Walsh**. Okay. Thank you for your testimony.

No more questions.

Mr. **Dixon**. Mr. Moore, you think that if you were to take the $28 million and give a tax rebate or a tax reduction in next year's taxes, by doing that on a one-year basis you would draw people who are already outside of the District back into the District?

Mr. **Moore**. I am saying it would be a start. I am saying that if the District takes this money and simply adds it to its budget, that would be a mistake.

The thing that it can do most to benefit its economy would be to—my first choice would be to reduce the income tax, and other types of fees and services would bring businesses back.

Mr. **Dixon**. Let me announce that there will be two 15-minute votes on the House Floor which is right downstairs. So we will go for another four or five minutes and then catch both of the votes.

Mr. Durbin.

Mr. **Durbin**. Well, this is my first time on the subcommittee and I was happy to join it because I have never had the experience of serving on a city council before. So this will give me a little first-hand experience.

Mr. **Dixon**. Yes, it will.

RELATIONSHIP OF REDUCED SERVICES TO POPULATION GROWTH

Mr. **Durbin**. I guess the one thing that troubles me, and I won't take much time here, is your suggestion that if we can lower taxes in the District of Columbia and cut services like police protection, and education to do it, then more people will want to live in the District of Columbia. My guess is you are totally wrong.

The one thing that keeps people out of the District of Columbia is the status of the public schools and the lack of police protection. So if you are going to lower the taxes and lower the amount spent on those services, how many folks from Montgomery County will want to come back into the District?

Mr. **Moore**. Well, first of all, the District has tried to spend more money to lure people back for the last 25 years. The District has had one of the fastest growth rates of outlays of any other city, and over that time they lost about 30 percent of their population. So what you have in place now is exactly what you are describing. People are leaving; they are not coming back.

Mr. **Durbin**. But you want to make it worse.

Mr. **Moore**. No. I am saying that the reason people are leaving is that you can live in places like Montgomery County. I live in Arlington, Virginia. When I moved out of the District of Columbia, I saved about a thousand dollars a year on the amount of taxes I was paying, and I wasn't getting a lot of the services.

They have high welfare types of services and so forth. I wasn't getting a direct benefit from those kinds of services. And that is one of the reasons.

There is no evidence, for instance, that the schools that I will send my kids to in Arlington County are any worse than the ones in the District, but they are a heck of a lot cheaper than the ones in the District.

Mr. **Durbin**. The problem is the fact that the District of Columbia has a unique economy, where there are so many office buildings related to the Federal Government, so many people working for various agencies of government. In my part of the world, and perhaps in Syracuse, New York and other places, there would be a lot of private industry that would be occupying that same space.

TAX EXEMPT PROPERTY

Mr. **Walsh**. If the gentleman will yield, the point that I made is the City of Syracuse has less taxable property as a percent than the District of Columbia. Only 49 percent of our property, real property is taxable in Syracuse.

NEED FOR SERVICE BY DISTRICT RESIDENTS

Clerk's note.—According to informtion supplied by the District government, 57.5 percent of the District's land is tax exempt (see page 363, part 1, FY 1993 D.C. appropriations hearings).]

Mr. **Durbin**. My guess is that you would also have—I don't know, I am new here. My guess is you have additional sources from business taxes that are not available to the District because of the nature of the District of Columbia.

I don't think there is that much heavy industry in this town, for example, which leads me to conclude that that problem, compounded by the fact that there are an awful lot of poor people living in this town who have need of more services really makes this an unusual case and not easy to parallel with other cities and other circumstances around the country.

I am not sure what to do with $28 million; I am about to learn, but I just think the idea of cutting taxes for one year, cutting police protection and education, to bring people back in from the suburbs, I don't think that is going to work.

Mr. **Dixon**. Mr. Istook, do you have questions?

Mr. **Istook**. If the Chair wants to recess first, that is fine.

Mr. **Dixon**. All right. We will stand in recess for about 10 minutes. We will catch the first vote, and then if Members will vote first on the next vote we can come back up.

We will recess for about 10 minutes.

[Recess.]

Mr. **Dixon**. The Committee will come to order.

Mr. Bonilla, do you have some questions you want to ask of Mr. Moore?

TIMING AND CLASSIFICATION OF REQUEST

Mr. **Bonilla**. Thank you.

Mr. Moore, I want to commend your testimony. When you arm yourself with such facts and research, it really makes a strong impact.

I would like to ask you if this economic stimulus package ought to come up as part of the regular appropriations request?

Mr. **Moore**. Well, one real objection that I have to this fiscal stimulus, and this is the overall package, not just the D.C. stimulus, is that you in Congress made a deal with us the taxpayers three years ago—that was the 1990 budget deal—and the deal was, we were going to pay about $175 billion in new taxes, but we were going to get spending cuts as a trade-off for that. And now along comes 1993. This is the first year of that budget deal where any real spending cuts are supposed to come about, and Congress is going to approve a spending stimulus in the middle of an economic recovery.

I think that taxpayers were snookered into this deal, and you have to wonder whether, in fact, this is something that is in the best interests of the taxpayer.

DISTRICT SINGLED OUT

Mr. **Bonilla**. Is it your view that there are a lot of local governments out there that are running into a fiscal crisis and certainly would make as good a case or better for emergency funding?

Why do you think the President singled out D.C. to be at the top of the list?

Mr. **Moore**. You are right, there are many, many cities in a state of fiscal crisis right now. And according to our calculations, this will be a year of bigger deficits on the city level than anytime since the early 1980s. So, in fact, Washington, D.C. is not alone in having big problems. Most cities are going to have to cut back on services, and, you know, get more efficient, cut back on bureaucracy and so forth.

I don't think that there is any reason why D.C. should necessarily be singled out for any special treatment here. But the best thing to do, if you want to help cities, the reason that cities are in a state of fiscal crisis right now generally is because the economy has been performing so poorly.

What I urged the Congress on many occasions is get the kind of fiscal policies right on the Federal level so we can get the economy moving, and the best policy for cities is a strong economy that will generate revenue for those places.

Mr. **Bonilla**. So you have no information or knowledge as to why D.C. was put in a special category?

Mr. **Moore**. Well, only to the extent that it has a special relationship with the Federal Government. That is the only reason that I can think of that they would be singled out for treatment.

I don't necessarily think that it is because they are in any worse shape than other cities of their size. Detroit, Cleveland, St. Louis would love to get $28 million more this year.

Mr. **Bonilla**. Thank you.

Thank you, Mr. Chairman.

Mr. **Dixon**. I don't know if Mr. Istook is coming back. Does anyone know?

Mr. **Guppy**. He was going to try to make it back in about 15 or 20 minutes, but that might hold the Committee up too long.

Mr. **Dixon**. Mr. Moore, thank you for your testimony today.

Members of the Committee, Ms. Norton, who is the Delegate from the District of Columbia, is here and she asked if she could make some comments.

Ms. Norton, now is your opportunity.

Remarks of Eleanor Holmes Norton

Ms. **Norton**. Thank you, Mr. Chairman.

The District of Columbia Government, as I understand, is in the process of providing you with more information. In the meantime, I would like the record to show two or three minutes of comments, my own response.

The testimony I think has revealed a blanket disagreement on the part of those who testified with the need for a stimulus, so that simply divides the House, and it divides the House whether we are talking about the District of Columbia or any other part of the President's package. Thus, I am not sure we could ever come to an understanding in this or any other committee as long as we stand philosophically on two different sides of the hall on that one.

I would like to say a word about the treatment of the District of Columbia. The District of Columbia is due a Federal payment from the government every year for services rendered. That Federal payment goes into job creation, and for that matter into other matters that normally stimulate the economy.

Last year $30 million that this House was prepared to give the District precisely to have a stimulus effect because it was to go for the Mayor's Crime and Youth Initiative did not, in fact, result because of a threatened veto. Thus, money that was due the District did not, in fact, as it turns out, come through to the District.

EFFECT OF FURTHER CUTS DURING RECESSION PERIODS

Meanwhile, the concern has been expressed about cuts, and the size of the District government. If you will recall, yesterday the Mayor indicated the rather painful process she has gone through ever since she took office. There are not only cuts that have been made that are substantial, but more are planned, and you should know that in the middle of a recession when the District of Columbia cuts, it incurs expenses as a result of cutting because workers who are laid off are due severance, so there is an immediate loss to the treasury for several years, the more people you cut. Thus, the District walks a high wire when it downsizes its government.

In a real sense, the supplemental meets the criterion of an emergency supplemental as much as I think any item in the President's budget. The recession has had an especially harsh effect on the District, at a time when the District is going through a particular crisis in crime that has played itself out particularly among young people.

Mr. Miller testified that one of the problems with stimulus of this kind is that it takes time for the money to get out. Fortunately, the Mayor's youth and crime initiative was laid out and could not be fully funded because the money didn't come through last year, and the District has paid the price for it.

The last thing you have to worry about is whether this money would be spent immediately. I note that Mr. Moore would like the money to be used for a tax cut. I submit to you that a tax cut vaguely meant to draw people back into the District is precisely the opposite of the kind of stimulus the President is seeking because it would not be a tax cut for plant or equipment. It would be the kind of vague tax cut that I hope this Congress will not approve for any element or item.

FUNDS TO REDUCE CRIME RATE

Finally, let me say just one word about the Mayor's Crime and Youth Initiative. I don't know at this stage what the city would use the $28 million precisely for or what it would have used it for had it come through last year, but I do know that the city laid out a very precise bill of particulars on how it would use the money for the Mayor's Crime and Youth Initiative, which the Chairman was able to save, to get the $30 million for, when the amount fell out of the Federal payment formula.

The most pressing piece of business the City of Washington, D.C. has is to reduce the crime rate. It had a reduction in the crime rate this last year. Her Youth and Crime Initiative has the value of pointing toward those issues which have helped to create crime while at the same time creating jobs. You get an enormous pay off.

POPULATION SHIFT

People don't move from the District of Columbia because of the schools; people who have lived here—the place we have lost people in the District of Columbia, ladies and gentlemen, is from Wards 7 and 8. Those are where working-class, moderate, and middle-income African American families live.

Where are we gaining? Where we are gaining population, and the District is one of the few cities that has gained white population, and it has gained population in the wards that are largely white. If we reduce our crime rate, we will keep these working-class Black families who move across to Prince George's County and say, "The crime is what is chasing me away."

POSSIBLE USE OF $28 MILLION

Let me just give you an idea just through laying on the record three or four of the items the Mayor said she would use the money for in her Crime and Youth Initiative—because they track so well the kinds of stimulus the President is using for investment purposes. I won't go on any longer than this. I will just give you three or four examples.

Doubling the number of police officers assigned to a successful crime prevention pilot project in District public housing, development of a new alternative school for disruptive youth, expanded health services and hours at targeted neighborhood health centers, a special effort to immunize every two-year-old child in the District of Columbia. She is not pressing there because here is the President who puts immunizations as part of his own stimulus package.

I wanted to assure you that this was not money that was somehow going to be spread somewhere across the District government and that she was not able to fully fund her Youth and Crime Initiative precisely because money she had expected in fact did not come through.

Thank you, Mr. Chairman.

Mr. DIXON. Thank you, Ms. Norton.

Any questions of Ms. Norton?

Thank you very much for your testimony here today and yesterday.

PREPARED STATEMENTS FOR THE RECORD

Before we adjourn, we will place in the record two prepared statements that were submitted to the Committee: One from Congressman Pete Stark, Chairman of the Committee on the District of Columbia; and the other from Congressman Thomas S. Bliley, Jr., the ranking member of the Committee on the District of Columbia.

[The statements referred to follow:]

Congreſs of the United States
House of Repreſentatives
Waſhington, DC 20515

STATEMENT
of
CONGRESSMAN PETE STARK
before the
APPROPRIATIONS SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA
February 24, 1993

Mr. Chairman, I am writing in support of the $28.2 million President Clinton has included as a stimulus for the District of Columbia economy at a time when the recession has had a particularly harsh effect on the nation's capital. This subcommittee acted appropriately, within the Budget Agreement and according to House procedures, in securing this special authorized appropriations last year. The $30.8 million (as it was then) was not credited to the formula itself, and it was to be used for investments to combat crime and to prevent other problems that often result in crime among children and youth. These purposes would have created and sustained jobs in many different D.C. government agencies.

Nor can there be any doubt that this use of the funds qualifies as a stimulus for the local economy. I understand that some examples taken from the detailed Youth and Crime Initiative were inserted into the record of your subcommittee hearing of February 23, 1993 and that District officials will be submitting further details and any changes they now propose.

But for the threatened veto, these funds would have been available to the District government and the economy of the District might well be further along toward recovery. The importance of the $28.2 million appropriation as a stimulus is dramatically driven home by already announced budget cutting proposals from the District government and Board of Education. The District government is cutting positions, but is so strapped that it cannot use these savings to hire people in other areas where the needs are most pressing.

Mayor Kelly and Council President Wilson testified before you that the District's problems were so severe that there was no question that the stimulus funds would be used for the appropriated purposes during this fiscal year. Moreover, there can be no doubt that this appropriation meets the requirements for an emergency supplemental. The longest recession since World War II has left the District with the largest deficit in its history and still uncertain that it can balance its budget as required by law while filling urgently needed positions.

I strongly urge that you to approve the $28.2 million recommended by President Clinton and that the full Appropriations Committee do as well.

OMAS J. BLILEY, JR.
3D DISTRICT, VIRGINIA

MEMBER OF
COMMITTEE ON ENERGY
AND COMMERCE

OMMITTEE ON THE DISTRICT
OF COLUMBIA

WASHINGTON OFFICE
2241 RAYBURN OFFICE BUILDING
(202) 225-2815

DISTRICT OFFICE
SUITE 101
4914 FITZHUGH AVENUE
RICHMOND VA 23230
(804) 771-2809

Congress of the United States
House of Representatives
Washington, DC 20515

STATEMENT
of
CONGRESSMAN THOMAS J. BLILEY,JR.
before the
APPROPRIATIONS SUBCOMMITTEE ON THE DISTRICT OF COLUMBIA
February 24, 1993

Mr. Chairman, and members of the Subcommittee, I appreciate this opportunity to comment on the emergency supplemental appropriation request submitted by President Clinton. Included in the President's request is a special, unauthorized and untargeted $28 million for the District of Columbia.

This request is the wrong message to send to the American people and to the District of Columbia. It tells the American people that we are not serious about deficit reduction. It tells them that Congress does not have the discipline to faithfully adhere to its own budget rules. It is an open invitation to the District to continue to intentionally ignore Congressional intent.

Additional, special funding for the District of Columbia should not be included in an emergency supplemental since it is not targeted to address any defined "emergency". In particular, the use of the emergency supplemental provision exempts this funding from the "pay-go" requirements of the budget agreement and I can see no justification for including these funds for the District under such conditions without making reductions elsewhere. If this is the priority we want to fund, then we should be willing to cut some other program rather than to add to the deficit.

We can be certain that the District will benefit from the other provisions of the stimulus package. The District participates as a state, county, and city in the various federal grants programs. It will surely receive its fair share of the $30 billion plan which claims to create jobs "through investments in highways, summer youth employment, community development, natural resource protection, summer Head Start, the WIC program, youth employment ..." etc.
The District government has offered no justification for this a "double-dip" of funding from this emergency supplemental when no state gets similar treatment.

I am gravely concerned that this supplemental request breaks faith with the work we have done on the Committee on the District of Columbia. When we passed P.L. 102-102, the federal formula payment legislation, Democrats and Republicans alike vowed to end the special add-ons which were routinely made in years past. Last year when this subcommittee indicated support for a special, one-time contribution to the anti-crime and youth initiative, the D. C. Committee acted specifically to authorize that contribution which passed the House unanimously. That authorizing legislation, H. R. 5520, was not considered in the other body. It did not pass Congress and that extra, unauthorized funding was deleted before final passage of the District budget. I respectfully submit that if this appropriation is granted, Congress will return to the past experiences of simply doling out the money without authorization, appropriate justification, oversight, and evaluation.

Providing this supplemental request is the wrong signal to the District government which is betting that it will prevail in the game of chicken it is playing with Congress. Unfortunately, it is an expensive game which will cost $28 million this year, and perhaps hundreds of millions of dollars over the next three to four years.

Last year when the formula was first applied, the District government submitted a budget which assumed a federal payment of $655 million. This amount was calculated by using incorrect figures. This Subcommittee recognized that error and applied the formula correctly in arriving at a federal payment of $624.8 million. Last year the District could argue that it did not understand how the formula was to be applied. That claim cannot be made again. Yet, that it precisely what is being done. The District's budget intentionally uses the wrong revenue figures not only for FY 1993 but for FY 1994 as well. Any deficit spending caused by a difference in the federal payment is the District's own making.

If the District wishes to change the terms of the federal payment, I submit that the local officials should come to the authorizing Committee rather than your appropriations subcommittee. The District has received an increase of $200 million over the past two years. If the local officials think that they can get an even better deal in the present climate of budget reductions, they are welcome to take the risk.

The Mayor and the Chairman of the Council have already testified before you. This money is not going to be targeted. The purposes for which the money will be spent do not qualify as an emergency under the terms of the budget agreement. If you provide this additional funding and allow the District to build it up as part of the federal payment to which it is entitled, then you will undermine the integrity of the formula. If you do that and allow the District to calculate the federal payment on anything it chooses, the District will claim that it deserves not just $671 million for 1994, but perhaps $800 million.

I urge the Subcommittee to reject all of the flawed explanations for this unauthorized, non-emergency, business-as-usual supplemental and follow regular order before considering any additional funding for the District of Columbia.

CONCLUSION OF HEARINGS

Mr. Dixon. The Committee will markup immediately after we adjourn.

The Committee stands adjourned subject to the call of the chair.

SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT

TOM BEVILL, Alabama, *Chairman*

VIC FAZIO, California	JOHN T. MYERS, Indiana
JIM CHAPMAN, Texas	DEAN A. GALLO, New Jersey
DOUGLAS "PETE" PETERSON, Florida	HAROLD ROGERS, Kentucky
ED PASTOR, Arizona	
CARRIE P. MEEK, Florida	

HUNTER L. SPILLAN, AARON D. EDMONDSON, BOB SCHMIDT, and JEANNE WILSON, *Staff Assistants*

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF ENERGY

WITNESSES

HON. HAZEL R. O'LEARY, SECRETARY OF ENERGY

ELIZABETH E. SMEDLEY, ACTING CHIEF FINANCIAL OFFICER

WELCOME TO NEW COMMITTEE MEMBERS

Mr. BEVILL. The committee will come to order.

I want to take a moment here to welcome our new Members, this being our first hearing of the year of 1993. We have our colleague from the panhandle of Florida, Pete Peterson who is now in his second term. Prior to joining Congress, Pete had a distinguished career in the Air Force and was also a successful businessman. We are looking forward to working with you, Pete.

Next we have our friend, Ed Pastor of Arizona. Ed replaced one of the great men of the Congress, Mo Udall. And, of course, that is a tough act to follow. But based on what he has accomplished so far, including being smart enough to become a member of our panel, it looks like he is up to the challenge. We are glad to have you with us, Ed.

Mr. PASTOR. Thank you, Mr. Chairman.

Mr. BEVILL. Next to Ed we have Carrie Meek. Before coming to Congress, Carrie was one of the most influential Members of the Florida Senate. Since she is the only freshman Democrat to be appointed to the Appropriations Committee, we know she already is an influential member of the House of Representatives. We are certainly glad to have you with us.

Mrs. MEEK. Thank you, Mr. Chairman.

Mr. BEVILL. Next to Ed, we have Carrie Meek. Before coming to colleague, Hal Rogers who hasn't made it in yet. Hal is from Kentucky. Of course, Hal is a veteran of the Appropriations Committee, having served on the committee since 1983. He is now the Ranking Minority Member on the Commerce, State, Justice, and Judiciary Subcommittee. We are glad that Hal has decided to join us. Hal, we were just talking about you. You appeared just at the right time, and we are pleased to have you with us.

We welcome you, Madam Secretary. This is your first opportunity to testify before this committee as Secretary of Energy. However, you know you are not a stranger to us. We remember the outstanding job you did previously in the Energy Department. And you have testified before this panel before. I believe last year you were here representing the Northern States Power Company. We are aware of your work at the Department of Energy, and that was under the Carter administration as I recall.

Secretary O'Leary. That is correct, Mr. Chairman.

Mr. Bevill. We are interested in your approaches to solving the problems meeting the Nation's energy needs, and you will be testifying before us about your fiscal year 1994 budget on April the 22nd, I understand.

Because of time restraints, I suggest we limit our discussions today to the proposed economic stimulus package. We hope to go ahead and markup this stimulus package today.

Mr. Myers, at this point, the Chair would recognize you.

Mr. Myers. Thank you, Mr. Chairman.

I, too, join you in welcoming the new Members of this committee. It has been years since we have had this many new Members in one year. This is a hard-working committee, and we are pleased to have the new Members.

Of course, I want to recognize our Member from Kentucky, Mr. Rogers. He is not a new member; but he is a new Member of this subcommittee, and we welcome him.

Madam Secretary, I am sorry, I have a 10:30 meeting on an appropriation bill that I have to attend, so I will not be able to stay. But I am certainly concerned about our responsibilities to work with you, not only on this stimulus program, but on the future of the Department of Energy. What an important time it is.

Secretary O'Leary. It is, indeed, and I look forward to the opportunity of working with the entire panel. I am sorry you have to leave; but I do, of course, understand.

Mr. Myers. You are certainly no stranger to us on this committee, so I do apologize that I have to go to a 10:30 meeting. These are busy times right now. I wear two hats. I am on the Hatch Act reform proposal, and I have a meeting on that this morning also. So I am sorry I am so busy.

Secretary O'Leary. Certainly.

Mr. Myers. Thank you.

Mr. Bevill. The Chair recognizes you, Madam Secretary, and you may proceed as you wish.

Secretary O'Leary. Thank you, Mr. Chairman.

First of all, to you and the entire committee, I am very pleased to have this opportunity to appear before you today in support of the supplemental budget for the Department of Energy. I have a formal statement which I understand has been received by the committee, and I would now ask that it be made part of the record.

Mr. Bevill. Without objection, your formal statement will be made a part of the record.

[The statement and biography of Secretary O'Leary follows:]

Statement of Hazel R. O'Leary

Secretary of Energy

before the

House Committee on Appropriations

Subcommittee on Energy and Water Development

February 24, 1993

Statement of Hazel R. O'Leary
Secretary of Energy
U.S. Department of Energy
FY 1993 Supplemental Appropriations

Mr. Chairman and members of the Committee, I am pleased to appear before you today to present the FY 1993 Supplemental budget for the Department of Energy. The Supplemental budget contains the short-term economic stimulus package which is an integral part of President Clinton's program for national investment and renewal. Although the principal goal of the stimulus package is to create jobs, our proposals also will bring about genuine long-term benefits to the economy, such as increased energy efficiency and more rapid transfer of high technology from the national laboratories to the private sector to improve our ability to compete in the increasingly competitive world market. I will discuss each proposal in turn.

CONSERVATION GRANTS

The package contains $65.8 million in building energy efficiency grants; $47 million for the weatherization of low-income housing and $18.8 million for schools and hospitals. To ensure that the low-income housing weatherization funds get to work promptly, state or other matching funds will not be required until FY 1994. The funds will be at work in some 1,200 communities across America within 6 months, and will create almost 1,000 jobs, most of them in low-income neighborhoods which have suffered so much over the past 12 years. An additional 28,200 homes and up to 800 school and hospital buildings will be weatherized with these funds. The resulting energy cost savings to poor families and schools and hospitals can be applied elsewhere to meet pressing needs. The supplemental proposal increases FY 1993 funding for low-income weatherization by 25 percent, and schools and hospitals funding by 66 percent.

FEDERAL BUILDINGS ENERGY EFFICIENCY

The Federal government is the largest single user of energy in the nation, spending almost $11.3 billion annually in energy costs, $4 billion in Federal buildings alone. According to Congress' Office of Technology Assessment, federal energy costs in buildings could be reduced by at least 25 percent - one billion dollars annually - just by investing in commercially available technologies for heating, cooling, and appliance use. The Energy Policy Act of 1992 and existing Executive Orders set a goal of a 20 percent reduction in federal energy use by the year 2000. This supplemental request is the first step in what we expect will be greatly increased investments in federal energy efficiency in the future.

Our proposal will add $7.8 million to programs for improving the energy efficiency of federal buildings. Of this total, $6.8 million is for the Federal Energy Management Program (FEMP); $5.6 million to support greatly enhanced training for more than 550 new energy managers and perform energy audits at approximately 470 federal sites around the country, and $1.2 million for a Federal Facility Energy Efficiency fund that would be administered by FEMP on behalf of all federal agencies except for the major energy users (the Departments of Defense, Energy, Veterans Affairs, and the General Services Administration), which receive direct funding. The remaining $0.9 million is for the In-House Energy Management program for survey audits preparatory to retrofitting energy efficient technologies into Department of Energy buildings. The state-of-the-art energy efficiency technologies showcased in our facilities can be replicated in state, local government, and commercial buildings.

ALTERNATIVE-FUELED VEHICLES

The supplemental request includes $28.2 million to increase the rate at which alternative-fueled vehicles are purchased and/or converted for use in the federal transportation fleet . This will demonstrate federal leadership in an area critical to reducing both imported oil and air emissions. The objective is to accelerate widespread acceptance and use of vehicles that operate on non-petroleum fuels, such as methanol, ethanol, and compressed natural gas. We project that these funds will result in purchasing at least 10,000 additional vehicles. We will be working closely with GSA to accomplish this accelerated effort. New jobs will be directly created as a result of converting vehicles for alternative fuels use and indirectly created through increased use of domestically produced fuels.

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

Cooperative Research and Development Agreements (CRADAs) are one of the most effective mechanisms for collaboration between the Department's laboratories and industry to transfer to the private sector lab-developed technology which is responsive to industry needs. Because collaborative projects are cost-shared and spring from industry's need for specific technologies, this "industry pull" has shaped a portfolio of projects that directly addresses key competitive issues.

The supplemental budget request for FY 1993 provides an additional $47 million for non-defense laboratory CRADAs to add to the current funding of $10 million. This funding will support multi-laboratory collaborations to enhance U.S. competitiveness and contribute to the creation and retention of jobs for U.S. workers. It will support initiation of 60 to 70 new CRADAs, based solely on industry need, at the Department's non-defense laboratories. This will allow hundreds of additional national laboratory scientists and technicians to work with industry, including small business partners and industry consortia, and will bring the combined resources of the Department's laboratories to bear on the technological problems of threatened American industries to improve their international competitive position.

Additionally, we are proposing to reprogram $47 million within the Weapons Activities account to supplement the current budget of $141 million for technology transfer from the Department's defense laboratories. The rationale is the same; speeding the transfer to the private sector of applicable dual use high technology developed in the Department's superb national laboratories will help American industry to meet the challenges of participating in the highly competitive world market for high technology goods and services, and will contribute to the creation and retention of jobs for U.S. workers.

Mr. Chairman, I believe the FY 1993 Supplemental budget request will provide an effective stimulus to an economy which has been weakened by years of neglect. The proposals I have outlined do much more than just add jobs; they go far toward meeting important underlying goals of this Administration - improving efficiency of energy end use, creating alternatives to petroleum fuels, and improving our industrial competitiveness in the world economy. The stimulus package is important, but it is only the first step in the President's program of national investment and renewal. I look forward to working with the Congress to enact the FY 1993 Supplemental budget as well as the FY 1994 budget to follow.

U.S. Department of Energy
Office of Public Affairs
Washington, D.C. 20585
202/586-3640

BIOGRAPHY

HAZEL ROLLINS O'LEARY

Hazel R. O'Leary assumed her duties as Secretary of Energy on January 22, 1993. President-elect Clinton announced his intention to nominate Mrs. O'Leary to serve as the seventh Secretary of Energy on December 21, 1992. She was nominated for this position by President Clinton on January 20, 1993, confirmed by the United States Senate on January 21, 1993, and sworn into office on January 22, 1993.

Before her appointment as Secretary of Energy, she had been promoted to President of Northern States Power Company's (NSP) Gas Utility, a position which became effective January 1, 1993. Prior to that, Mrs. O'Leary served as Executive Vice President of NSP. She was promoted to that position in July 1990, a little over a year after joining the Company. Northern States Power, which is headquartered in Minneapolis, MN, provides energy to parts of five contiguous states in the northern Midwest tier of the country.

She was a member of the Executive Management Committee, which established the strategic business plans for the Company. Reporting to Mrs. O'Leary were the Company's Vice President for Law and General Counsel, and the Office of the Corporate Secretary, as well as the Vice President for the Public and Environmental Affairs and Human Resources.

From 1981 to 1989, Mrs. O'Leary was Vice President and General Counsel for O'Leary Associates, an international energy, economics, and strategic planning firm located in Washington, D.C. The company specialized in the preparation of expert testimony, project financing, and the development of independent power plants. O'Leary Associates also lobbied state and federal legislatures on issues involving the energy industry.

Prior to 1981, Mrs. O'Leary served as a Presidential appointee in the U.S. Department of Energy during the Carter Administration, and the Federal Energy Administration under President Ford.

In those capacities, Mrs. O'Leary was responsible for the regulation of the petroleum, natural gas, and electric industries, and the Federal Government's conservation and environment programs. She also presented through her position at NSP, and as a Trustee of the Keystone Center, energy policy before Congressional committees, in the national and international media and at energy industry forums.

(more)

A former partner at Coopers and Lybrand, Mrs. O'Leary was also an Assistant Attorney General for the State of New Jersey; Assistant Prosecutor, Essex County, NJ; and General Counsel of the U.S. Community Services Administration.

Mrs. O'Leary received her Bachelor of Arts degree, cum laude, from Fisk University, where she was elected to Phi Beta Kappa. Her Juris Doctorate degree was received from Rutgers University School of Law. She holds Bar Association memberships in both New Jersey and the District of Columbia.

Before joining NSP, Mrs. O'Leary served as a Director of Applied Energy Services, an independent power producer traded on the American Stock Exchange, and as a Director of NRG Energy, Inc., the major unregulated subsidiary of Northern States Power Company. She was a trustee of the William Mitchell College of Law and the St. Paul Minnesota Chamber Orchestra, a member of the Hubert H. Humphrey Institute of Public Affairs Advisory Committee, and was on the boards of the Greater Minneapolis Red Cross, the University of Minnesota Foundation, the Minneapolis Foundation, and the Northwest Area Foundation. She served on the Governor of Minnesota's Commission on Long Term Financial Planning and Management. While at NSP, she chaired the U.S. Department of Energy's State Energy Advisory Board.

On assuming her duties as Secretary of Energy, Mrs. O'Leary resigned as a board member of the Executive Leadership Council, which provides black corporate executives a leadership forum. Mrs. O'Leary also resigned her membership with the Committee of 200, an international organization of leading businesswomen.

Mrs. O'Leary was born in Newport News, VA, on May 17, 1937. Her son, Carl Rollins, practices law in Washington, D.C.

February 1993

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J. Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President
The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF ENERGY

Energy Supply, Research, and Development Activities

For an additional amount for "Energy supply, research, and development activities," $46,961,000, to remain available until September 30, 1993.

This supplemental request would provide funds to increase the participation of Department of Energy's (DOE) non-defense laboratories in Cooperative Research and Development Agreements (CRADAs) with the private sector. The funds will go to the laboratories to pay for their share of jointly agreed upon research and development in the CRADAs. In addition, $50 million in FY 1993 funds appropriated for "Weapons Activities" will be redirected from research and development on nuclear weapons at DOE's defense laboratories to CRADAs in dual use technologies at the defense laboratories.

This proposal would result in increased obligations of $47.0 million in FY 1993 and would increase outlays by $21.6 million. An estimated 220 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF ENERGY

ENERGY PROGRAMS

Energy Supply, Research, and Development Activities

For an additional amount for "Energy supply, research and development activities," $939,000 to remain available until expended for additional in-house energy management projects.

Secretary O'Leary. Thank you so very much.

Mr. Bevill. And also I might mention—since this is your first appearance as Secretary—as we customarily do, we will put your biographical sketch in the record.

OPENING REMARKS

Secretary O'Leary. Mr. Chairman, you are most gracious. Thank you.

I am pleased to be here in support of the fiscal year 1993 supplemental appropriations bill, and I want to walk through a brief overview of what that bill contains.

I would then like to use this as an opportunity to spend some time talking about the concept of the Cooperative Research and Development Agreements between our laboratories and the private sector and then open myself up to questions, if that is appropriate, Mr. Chairman.

Mr. Bevill. That is fine.

PRESIDENTS ECONOMIC STIMULUS PACKAGE

Secretary O'Leary. As all of us know, the focus of this stimulus package is really on near-term and job-related benefits to the Nation. One of the things we focused on in the Department of Energy is not simply stimulus of jobs in the short-term, if you will, to jump start the economy, but also an attempt to address some of our needs with respect to the environment and conservation. Our package is, I believe, punchy, very tight. And I think it accomplishes many things.

First of all is an increased energy efficiency program for low-income housing, as well as schools and hospitals. This has been a stellar part of the program in the conservation area at the Department of Energy for some time.

This program accomplishes several goals. One, it reduces the adverse impact of costs and energy costs on those who are least able to afford it. And, of course, it does achieve that conservation goal; the acceleration of use of alternative fuel vehicles, which, again, we will have an opportunity to do several things; stimulate a market for alternative vehicles which is not occurring rapidly; and again, address issues involving the environment as well as conservation of petroleum product; and, finally, a more rapid transfer of high technology from our national laboratories into the private sector. This will accomplish several things: first, make us more competive, internationally; and second, stimulate jobs both in small businesses—which have been a very important focus of the Department of Energy—as well as stimulate jobs in the broader marketplace.

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

I now want to move to the $47 million dollars supplemental appropriation that does just that, which provides additional funding to our cooperative efforts through the laboratories.

You will recall that the existing budget contains only a $10 million figure for the cooperative enterprise on the non-defense side. The additional $47 million presumes that we have a rich supply of requests for CRADAs, already on line in the department.

I would like to share with the committee the fact that that is the case. As soon as we publish to the public the availability of funds for cooperative agreements and have the series of hearings around the country with business and the labs, we have a queue, companies and private sector concerns interested in opportunities to cooperate with the Department of Energy.

So, if the issue is whether the money now sought in the supplemental appropriation can be put to good use is not settled, I will tell you that not only are we prepared to process these agreements, but there are very willing members of the private sector who now stand in line, ready.

The next point to be made, of course, is: How do we do this in a way that makes sense to the private sector? In the time that I have spent preparing for my confirmation hearing, of course, I have heard all the bad news with respect to how difficult some believe it is to negotiate an agreement with the Department of Energy.

Coming more recently from the private sector, I will tell you that my experiences are that early-on negotiations don't always go quickly. The difficulty with respect to the relationship between the Department of Energy, its laboratories, and the private sector may be that we lack some definition around the "F" word, the "F" word standing for flexibility.

DEAL KILLERS

Some of the difficulty that we have had relates to very strict interpretation of language already on the books, and I would define these as deal killers in the past, which have, many of them, now been settled; and I would like to discuss just a few.

The first deal killer—which I will point out to you has been settled—had been the issue of, how do you look at manufacturing specifically within the United States? You all realize that there is legislation on the books that says we must deal substantially with product that is being manufactured in the United States and, in fact, benefits the United States' economy.

Early on, we had some trouble in the Department of Energy interpreting that, having forgotten the flexibility issue. We have settled that by taking a close look especially at widely and diversely integrated companies. We have come to understand that really what we want to measure is substantial economic benefit in the United States without so rigidly applying the test to what is manufactured where. I think we have made significant progress in this area; and those who have looked at our later agreements, I believe, would agree with us.

Another deal killer, in my view, has been the indemnification or product liability area. You can understand, as a lawyer I will say to most of you, that from time to time all of us worry about product liability suits. Earlier on, the deal killer had been simply that the Department, through its laboratories, had expected that the signatory private company would agree to assume all liability for any product failure.

Well, you can understand why that was a deal killer. We have moderated that posture and left to the laboratories, with some degree of guidance from headquarters, a responsibility to settle those issues and believe we have done that appropriately.

There are some outstanding issues still remaining regarding whether the Department, as a Federal agency, will now permit a private sector company to defend the Department or the Government's suits and interests in court. I think that is something over the long term that we will want to be working with, but, again, a deal killer in my view, which has been moderated to the satisfaction of most people who are dealing with us.

Another area would be intellectual property rights. Certainly, my study of this area in the three weeks—no, the two weeks that I was preparing for my confirmation hearing leads me to believe that we can do some more creative work in this area, but we have also made substantial progress.

Part of our difficulty is the cultural shift that requires one, to move from a position of being the Government wanting to protect and hold everything from itself and trying now to find out what the moderate ground is in terms of sharing benefits in the private sector. I think we have made significant progress in that area, and you will see continuing progress through the years.

The benefits I think go without saying. I shared with you the numbers of companies that stand in line now ready to use this money if it is made available. That has occurred, I think, for moderating some of these deal killers which I have described to you. But perhaps more importantly, I think the good intention and the reputation of the laboratories with respect to transfer from the defense side of our business, makes it obvious to many that the laboratories are a rich resource for technological support in the private sector.

I could outline to you success stories in specific detail with respect to individual companies who have gained benefit and also delivered to the marketplace products that now make us more competitive.

I would simply prefer to provide that for the record, if that is appropriate, and now open myself up to questions.

[The information follows:]

SUCCESS STORIES OF NON-DEFENSE CRADAS

A cost-shared Cooperative Research and Development Agreement funded by the Energy Research Laboratory Technology Transfer Program in 1991 between Oak Ridge National Laboratory and Eveready Battery Company has developed a method of packaging rechargeable thin film lithium batteries that are as small as shirt buttons and thinner than plastic wrap. Until recently, the major technical obstacle to producing these batteries was the lack of a protective coating capable of effectively sealing the battery against corrosion and leakage. Oak Ridge National Laboratory developed such a coating under this Cooperative Agreement, and Eveready plans to begin prototype production of these batteries soon. Unlike batteries used today that must be added to a circuit as separate components because of their large size, these thin-film batteries can be fabricated inside an integrated circuit such as a computer memory chip. This technology can be easily scaled up to produce batteries of any size and shape. Among the applications currently planned are use in integrated circuits for notebook and laptop computers; power supplies for touch memories for the semiconductor industry; in cellular telephones; a drug supplier is working with Oak Ridge National Laboratory to explore application for transdermal drug delivery in a product line totalling 10 million units per year; and use for both the power supply and the sensors in robots. The original research for this technology was sponsored by the Office of Basic Energy Sciences.

A new pumpable castable refractory developed by **Magneco/Metrel, Inc.**, a small business in conjunction with Argonne National Laboratory may decrease costs in the ironmaking and steelmaking industries. Development of the new refractory has led to substantial overseas sales, and the addition of about 15 new jobs at Magneco's Illinois plant. This technology was developed in a cost-shared Cooperative Research and Development Agreement funded by the Energy Research Laboratory Technology Transfer Program. The technology is derived from research originally sponsored by the Office of Basic Energy Sciences.

A cost-shared cooperative project between Oak Ridge National Laboratory and Microwave Laboratories, Inc., a small business, funded in FY 1991 by the Energy Research Laboratory Technology Transfer Program successfully developed a microwave processing furnace in which both the frequency and the power level can be varied continuously. An article describing the furnace was published in the March, 1992 CERAMIC INDUSTRY magazine and the company has hired a full time marketing specialist with experience in large microwave heating applications to pursue this new furnace product line. This project has just been awarded a Federal Laboratory Consortium award for Technology Transfer. The furnace combines Microwave Laboratories, Inc. technology derived from electronic warfare applications, and an Oak Ridge technology which was a spinoff from research originally sponsored by Conservation and Renewable's Office of Industrial Technologies and Defense Program's Y-12 Advanced Manufacturing Program.

A cost shared personnel exchange between Pacific Northwest Laboratory and **Recomp, Inc.**, a small business, funded by the Energy Research Laboratory Technology Transfer Program resulted in development of technology to vitrify residual fly and bottom ash from the company's waste incineration process. This ash poses a potential environmental problem because of the presence of cadmium, antimony, and lead that are concentrated in the ash. Before this project, this ash required disposal in a landfill, which often required that the ash be trucked over long distances. This new technology enables Recomp to stabilize the ash into a safe, durable matrix that can be sold as fill or construction material. Nonhazardous organic materials will be separated, made into compost, and sold to landscapers for soil enhancement. Thus, a costly environmental hazard is being transformed into a useful product. Recomp has now licensed the technology from PNL and is commercializing it.

A cost-shared cooperative agreement between Argonne National Laboratory and **Baxter Healthcare, Inc.** sponsored by the ER Laboratory Technology Transfer Program in 1991 resulted in identification of a family of chemicals with significant potential for eliminating viruses, including the AIDs virus, from donated blood. An invention disclosure has been filed on a potential drug for sterilizing blood against viruses including AIDS, and Baxter is currently pursuing this technology.

The Glycine Nitrate Process developed at the Pacific Northwest Laboratory is used to prepare ultrafine ceramic oxide powders used in the manufacture of ceramics, sensors, and solid oxide fuel cells. The Energy Research Laboratory Technology Transfer Program is funding a cost-shared Cooperative Research and Development Agreement, with **Seattle Special Ceramics, Inc.**, a small business, to transfer this technology for them to develop components for a major manufacturer. PNL received an R&D 100 award for the technology, as well as a 1993 Federal Laboratory Consortium Award of Excellence for the technology transfer achievement. The technology was developed from research originating from the Offices of Fossil Energy and Basic Energy Sciences.

In the mid- 1980's, an Oak Ridge National Laboratory development in crystal growth provided the technology that allowed Commercial Crystal Laboratories, Inc. a small business, to manufacture magnesium oxide crystals --a type of superconductor substrate that is useful in microwave electronics--and reduce their price by 40 percent. This resulted in an increase in their overall market share for this crystal from an estimated 20% to an estimated 60%, and they became the sole U.S. supplier for these crystals. Unfortunately, between 1989 and 1991 the company's marketshare decreased to 5% due to a newer technology developed by a Japanese competitor. The Energy Research Laboratory Technology Transfer Program is now funding a Cooperative Research and Development Agreement between Commercial Crystal Laboratories and Oak Ridge National Laboratory to develop new commercially viable methods for producing these crystals to enable the company to regain its marketshare and compete with foreign suppliers. The technology for this project originated from research from the Office of Basic Energy Sciences.

Lawrence Berkeley Laboratory and Seagate Magnetics of Fremont, California, a major manufacturer of computer disk drives, are working on a Cooperative Research and Development Agreement, to improve Seagates's disk drive technology and strengthen their market position. Seagate came to Berkeley for this effort because of their successful commercialization of another innovation resulting from an earlier collaboration, a personnel exchange also funded by the Energy Research Laboratory Technology Transfer Program. That exchange developed an improved coating process that enabled Seagate to manufacture competitive hard disk products.

Mr. Fazio. Thank you, Madam Secretary. I think we should go, appropriately, first to Mr. Myers on behalf of the Minority.

CREATING JOBS FOR THE UNEMPLOYED

Mr. Myers. Thank you, Mr. Chairman. I have to leave in about two minutes. So rather than get started, I hope you will provide a little bit more information about how some of these programs are going to hire people right away.

I certainly compliment you for trying to streamline the process, and trying to get more effective and more efficiency from your Department.

However, when we start talking about hiring the unemployed today, how do these unemployed people, with no skills—most of them—fit into some of these programs?

And, secondly, many of these programs take a long time, as you know, to implement sometimes.

Secretary O'Leary. I would certainly agree with you, Mr. Myers, with respect to the laboratory programs, which are certainly high tech and tend to give jobs to people who are highly skilled.

Mr. Myers. That is right.

EMPLOYMENT FROM CONSERVATION PROGRAMS

Secretary O'Leary. But if you focus on the other side of my plate, if you would, on the conservation programs, on weatherization in schools and hospitals, the delightful detail about these programs is that they are delivered through State agencies who now stand ready to implement them right away.

As an example, in both weatherization in schools and hospitals, presuming that funding were available, in late spring or early summer, States who would be contributing a 50-50 match now stand ready to put people to work in relatively low-skill jobs for which they are already trained. This work can go forward this summer and continue into the spring. The good news is that State energy office directors are standing ready, eager to receive these funds in order to go forward.

Mr. Myers. The weatherization program, and others that you are describing, of course, are not within the purview of this subcommittee. But according to what we have here, the amount for the jobs is $47 million.

Secretary O'Leary. That is correct.

Mr. Myers. 220 jobs?

Secretary O'Leary. That is correct.

Mr. Myers. That is $215,000 per job. I would like to have one of those. If you have one, I will resign. When do we start?

Secretary O'Leary. I think——

Mr. Myers. It seems like those are the people who are not going to help the unemployment rates any.

DELIVERING TECHNOLOGY INTO THE MARKETPLACE

Secretary O'Leary. Well, I think the reason that this item is in the stimulus package is that there has to be some foundation and long-term building to deliver technology into the marketplace.

We could ignore this portion and simply leave it for later because results are produced too slowly over time. I think what we have seen—I will use one obvious example, and that is with respect to the microchip industry. Using our national labs at Oak Ridge, we were far ahead—and really permitted industry in the United States to own almost 90 percent of the market share. Once we declared victory, we sat back and did very little else and then the Japanese whipped us to death.

We want to continue to make progress, even if that progress demands that we are not creating the most jobs immediately. We simply don't want to lose ground. It is clear to me that the queue standing in line is waiting to take advantage of these projects. If we fund them, there will be results in the longer term. And, yes, it is an expensive endeavor, because the very nature of this research requires that very expensive equipment be used. I would urge you, in spite of the fact that so few jobs are being offered, to support this effort because I think it is valuable.

NEED FOR EMERGENCY FUNDS

Mr. MYERS. Well, I certainly agree with what you are attempting to do here. I am not sure I agree that it is quite the emergency that something has to be done tomorrow. But it is something we should be doing, I quite agree with you.

From your testimony, I am not convinced that there is a dire emergency. We often use that word "dire" whatever it means.

I am sorry; I do have to go. I should have stayed on this, but I am pressed for time.

Secretary O'LEARY. I should have spoken less in my statement. I am so sorry.

Mr. MYERS. No, my goodness. You can't explain it in a few words, I don't think. It is a problem that has been going on for quite some time. It is nothing new. You inherited it.

Secretary O'LEARY. The other point that I would leave with you, with respect to these companies that are on line, is that they, too, have budget considerations. And if we let a year pass, and the sense is that we are not in earnest about this, then maybe other research departments and other industries which have to provide a 50 percent share will think that we are reluctant to proceed and won't plan it that way.

Mr. MYERS. I quite agree, but there isn't quite a dire emergency, though, that something has to be done the first day of April or something like that.

Secretary O'LEARY. Well, maybe the second day of May.

Mr. MYERS. Give or take. Close enough for Government work, I guess.

Secretary O'LEARY. Fair enough.

Mr. MYERS. I am sorry; I do have to leave. I apologize to my colleagues and thank you for giving me the time, as brief as it was.

Mr. FAZIO. Let me add my welcome to the one that Chairman Bevill provided. I look forward to working with you over the next two to four years, depending on my tenure. And I sincerely want to congratulate you on your accomplishment in being nominated and confirmed in this position. I know you have an awful lot of admirers all across the country who think you are exactly the right person for this job. I am already impressed at the degree to which you are beginning to reorient the direction of the department. We look forward to further indications of reemphasis and new emphasis on your part.

Secretary O'Leary. Well, thank you very much, Mr. Fazio. I look forward to four years with you.

ENERGY EFFICIENCY IMPROVEMENTS

Mr. Fazio. Well, let me just say, as far as the question of the stimulus package is concerned, I really think we have to look at this as far more than a stimulus package. When you immunize children and you do a number of other things that need to be done, you are really talking about long-term savings and investment as well as stimulus in the short run.

I think the infrastructure jobs and the tax aspects apply to the reconciliation bill we will be passing later in the year, and do add up to some additional stimulus which we need.

In that regard, obviously the work you will be doing in low-income energy assistance and things of that sort is very important. I will be very interested to see what we can learn about the Department of Energy's own buildings, and $900,000 ought to give us an opportunity to see just where we have neglected to set a good example at the Department in the past. Hopefully there aren't too many examples of neglect. We haven't overlooked, hopefully, too many opportunities. But I think it is appropriate that we monitor our own facilities.

And I assume that in Mr. Yates' bill you will be doing monitoring of all the other Federal facilities. In fact, I would want to point out that we are very anxious to proceed here on Capitol Hill. We are going to be discussing with the Architect of the Capital and with our local power company how we can expedite making further energy conservation improvements right here on top of this Hill in our own complex.

Secretary O'Leary. That is very worthwhile. The happy circumstance—having just come from a large utility—is I have had three, almost four years of experience in working very cooperatively on these issues, both at the State level and, of course, within our own buildings. I would observe to you, though, Mr. Fazio, that when I was last here wearing an Energy Department hat, we were talking about the same program, and it causes me some great concern to understand that we are still talking about it.

What I look forward to in the package that we presented to Chairman Yates is the opportunity to really do the foundation building that must occur with this Federal program. This will require an assessment, and the opportunity to really understand working, with the private sector, as you have indicated, with the local utility, to understand where there are opportunities to leverage State funds to get this work done. And, of course, also to use second-party, third-party contractors so we have an opportunity for a little competition among all of the entities.

Mr. Fazio. Right.

Secretary O'LEARY. So I know I am going to be here for four years, and I am going to pledge to get on that one. I am appalled that we have not made the progress that I believe could have been made. And I believe that that budget item is crucial, because if we don't set the example, then who is to follow?

REPAYMENT PERIOD FOR INVESTMENTS IN ENERGY CONSERVATION

Mr. FAZIO. Madam Secretary, what is the repayment period that you normally would consider to be worthwhile to justify making investments in energy conservation? How long would we normally look to repay those up-front costs, whether they were put up by the private contractor, the utility, or the agency that is actually paying the energy bills?

Secretary O'LEARY. Well, I am going to tell you my private sector experience. Depending upon how aggressive one wants to be, I have seen examples of companies that find a five-year payoff period unacceptable, and some who find a two-year payoff period unacceptable.

The Department had set its own guideline of three to four years, and I am very comfortable with that. But I am also recognizing that there may be a different and appropriate standard for the private sector.

Mr. FAZIO. Well, I appreciate that. Anything you want to add at some later point in that regard would be very useful. We are going to have to struggle with that question when we make the investments in the Capitol and in the office buildings around it.

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

Mr. FAZIO. I would like to talk a little bit with you about CRADAs.

There is no question that we have tremendous intellectual capability in our national laboratories. But there are those who think that we have such a difficult time bringing about the cultural change that will be required there, that we might be advised to tear them down and start again. I read a columnist in the Los Angeles Times recently, who was advocating massive reductions in funding for the laboratories on the premise that they simply weren't going to be able to make the transformation that we are hoping to promote through this program. It is not a new idea. This has been discussed, certainly, during the Bush administration and prior to that. We have had very little success, I might say, despite a number of initiatives, in really making the technology transfer.

Would you comment from the standpoint of how you perceive the laboratories; what you hope to do to change that culture; and how you think we might most effectively stimulate these changes and the reemphasis that obviously we would like to bring about?

NATIONAL LABORATORIES

Secretary O'LEARY. I understand. First of all, I comment, almost in awe, as one who, on the 19th of December, awoke thinking that her mandate involved a utility in Minnesota; and I was thinking about how to deal with natural gas supplies and recognized that, if you will, I am at least the spiritual leader of this laboratory complex that has been called by many a hidden treasure in the United States. I have spent some time trying to understand the functions of the laboratories, recalling my own experience having worked very successfully with them.

It is clear to me that the labs are not one entity. It is also clear to me that the labs have a structure and a complex weaving of relationships, both with the Department and other pieces of the Government that make each and every one of them unique.

So I would first say that before we begin to talk about tearing down this treasure, maybe we need to spend a little time understanding what makes each laboratory unique and plans that each of the laboratory directors—whom I have been able to talk to—have for their own labs. And some have been very successful with respect to technology transfer, and some have been less successful.

From the point of view of someone who has come into the Department with no other political support, I would say to you that the last thing I would want to see is anything torn asunder, because we must use the structures in place to accomplish jobs.

I want, now, to move on to the question of how you really affect this cultural change. I think you do it through moral suasion and leadership, which is my job. I think you also do it working with the laboratory directors who have been at it for a very long time; and some have really caught fire to this example.

You begin, now, to look at each and every laboratory for what it does best and permit and encourage restructuring, reinvigoration. I have some very clear ideas about some of the laboratories, because they have been brought to me; and they are rich and wonderful ideas that have been talked about before. But I think, just as I talked about laying a foundation and an assessment for the Federal Energy Management program, we need to examine the laboratories and how much success has occurred and treat each one almost like the special jewel that it is.

I recognize that this is a very philosophical discussion, but I think that is just where we need to be on this issue. We will hold out, as examples, those laboratories which are leaders in this area and use the quality techniques that the lab directors have already, themselves, adopted to transfer successes both with respect to process and cultural change among and between the laboratories.

I don't think that this is a failed program. I think it is almost an embryo, the particular program of which we respect a lot. I mean, you don't take a huge structure and turn it like that. You turn it gradually and gracefully with some leadership and fellowship. So I hope we will be permitted the opportunity to do that.

Mr. Fazio. Thank you, Madam Secretary. I think if you trace back to the Truman and Eisenhower years and the Atoms for Peace programs that were very much discussed in those years, you understand that the very talented people at these labs who have had a real role in our winning the Cold War have other ambitions and other goals, personal and professional. And I think it will be a real testament to your leadership if you can help with this gradual transformation of these labs, just as important as your record in cleaning up the weapons plants of the Nation and implementing the Energy Policy Act of the last Congress.

I think, as you have pointed out in your opening remarks, this is the beginning of some real utilization of potential for increased technology transfer in this Nation which is very important for our long-term economic growth.

I appreciate your comments.

Thank you, Mr. Chairman.

Mr. Bevill. The Chair recognizes Mr. Gallo.

Mr. Gallo. Thank you, Mr. Chairman.

Madam Secretary.

Secretary O'Leary. Mr. Gallo.

NEED FOR EMERGENCY FUNDS

Mr. Gallo. Following on comments by my colleague Congressman Fazio, one of the problems I see that we have as individual representatives is trying to bring back to our constituents the work that is done and what it means, not necessarily just for today, but for the future. That is getting more and more difficult as we stretch out alternatives and changes that are so important.

But the citizens back home, you know, are saying, "What is happening today?" I know this committee has been pretty steadfast in its support for those areas of development that are long term and don't show immediate benefit, but certainly have the hope for the future, whether it be in energy or other technologies.

I am a little concerned, as related by Congressman Myers, about the actual classification of this as an "emergency" or "dire" supplemental. Under the Budget Act of 1990, it became very clear that there were going to have to be offsets when any supplemental came forward. When we talk about the "dire" emergencies which this committee has addressed, we think in terms of floods, earthquakes, civil disobedience, war, or things of that nature.

How did you reach your justification for this being an emergency?

Secretary O'Leary. Mr. Gallo, as you can well understand, I didn't reach that conclusion alone. We spent, as an Administration, many long days and hours designing the plan which now comes before this committee as simply the stimulus package.

I think it would serve the committee—and, perhaps, serve this very new Secretary of Energy—in the best way, if I simply tell you that I am very well aware of the fact that the Office of Management and Budget will be presenting its own justification.

On a side bar note, from the Department of Energy's point of view—and I would point out to you perhaps fairly or unfairly—that I was just recently in your district as of last week.

Mr. Gallo. I know.

EDUCATION WORKSHOP

Secretary O'Leary. And I spent some time in the Science 2000 workshop. And I will tell you, of my own mind, anything we can do to deliver results to our young people today and make changes as well as are being made there in Summerville occur to me that they are dire.

Part of the problem that we have here in Government is things do move in a very glacial way. And one of the things that I am going to commit to do is spend a lot of time out there in the real world to understand what citizens believe.

I was also in Minnesota on that same weekend; and I will tell you, the people who talked to me at lunch shops and in the supermarket and at meetings and in hall corridors and hallways, they perceive a dire need as they look at the deficit and also look at the quality of the jobs that exist for them. And in both of those states I have lived. And in that sense it is dire, and it is not a flood, and it is not a civil disturbance of the kind that we would normally expect. It is creeping, it is insidious, and it is ugly. And in that sense, I believe it is dire.

Mr. GALLO. Since you brought it up, I can say that the feedback that I have received is that you were very warmly received. They were very pleased with your comments and your selection of Summerville to make one of your first stops. I think your outreach can be helpful to the first statement that I raised about the lack of understanding of how important future development is and why we have to put money up-front to be able to take care of the needs of the future.

Certainly, if there is any indication of what you are going to be doing, I think it may make our job a lot easier. When we talk about things that are futuristic, 10 years down the line, 15 years down the line or maybe even 25 years down the line, how do I explain to my constituents that one of the major thrusts of this is, obviously, to reach a job package? How do I explain to my people when they can look at this $47 million dollars, and see that 220 jobs are created? They are going to look at that and see $215,000 per job. You know, I don't know what kind of an answer I can give them.

TODAY'S INVESTMENT FOR FUTURE JOBS

Secretary O'LEARY. Well, tell them to look further down the road to Princeton and what is going on at complexes exactly like that, that, again, invest today to bet on jobs in the future.

Again, I went to law school; I went to high school; and I lived as a young married woman in New Jersey and more recently was in New Jersey as not such a young married woman. And I know that the vitality of that corridor called the State of New Jersey depends upon reinvigorating the economy. And every time we try to hang on to an old business or an old way of doing business, we lose jobs there. And I think that people in New Jersey are bright and they get it.

And the burden that we carry in terms of leadership is to constantly have to reinforce and express that. It is also the piece, I think, that most of the folk I talk to are very excited about, which simply says, yes, we have to make an investment today for payoff tomorrow.

And I am prepared to carry that burden. I know it is difficult for each of us in our home states. I don't pretend that it is an easy job.

Mr. GALLO. In the national labs, it is my understanding that they have the ability to transfer funds if they feel there is an emergency out there. Is that not correct?

Secretary O'LEARY. That is correct. There is some plan for, if you will, redirecting some funds under the defense budget that—within the Department—that now provides us an opportunity to offer additional projects for CRADAs and, indeed, under the Atomic Energy Act portion of the budget.

And, once again, I would point out to you that with the number of people we have in line and on queue, we will be able to expend that money. What is available and can be transferred, in my recollection, amounts to addressing only about 25 or 20 percent of the active companies who are now seeking an opportunity not just to take money from the Federal Government but to match 50-50 to get on with it. So we can spend that money and, I believe, spend it wisely, Mr. Gallo.

Mr. GALLO. I think what I was trying to ask, is with that ability for transfer or certainly the authority to do so, if an emergency existed, they had the authority to be able to make those transfers. And I am still back on trying to figure out why this is an emergency.

Secretary O'LEARY. I understand the theme.

Mr. GALLO. On the $47 million dollars, it says in the explanation that part of that is 1993 and part of that is 1994; is that correct?

Secretary O'LEARY. You are going to have to give me a minute to either borrow Mrs. Smedley's brain or find the right tab. Please bear with me. It is 1993.

Mr. GALLO. Is it all 1993?

FISCAL YEAR 1993 SUPPLEMENTAL BUDGET REQUEST

Secretary O'LEARY. Mrs. Smedley, why don't you simply testify? Let me please introduce or reintroduce to this committee Betty Smedley who is the numbers person and is far more competent to testify on this than I.

Mrs. SMEDLEY. Far from it.

Mr. Gallo, we have a $47 million request in our 1993 supplemental package which is in the stimulus before you. When the fiscal year 1994 budget comes up, you will also see funding for technology transfer. And we plan throughout the years to also increase funding. But the only item that is in the supplemental now is $47 million dollars.

Mr. GALLO. Okay. So the $47 million is 1993. I am not concerned about that. Dealing with 1994—my question was, if we had it mixed between 1993 and 1994, why don't we take the 1994 and deal with that in the budget process? You have answered that.

Is there any addition to administrative expenses to handle this surge of money? Or is this going to be able to be handled by existing administration?

Secretary O'LEARY. This definitely will be handled by the existing administration budget because, as you well understand, as we move to the outyears, we will be trimming some fat there as well.

Mr. GALLO. I have taken more than my time, and I thank you for your candid answers and look forward to seeing you back in New Jersey. Hopefully, at that time I will be there to welcome you. I sent my district aide to make sure that you got a warm welcome.

Secretary O'Leary. I did, indeed. And I am very grateful for the very gracious letter. I would say to the Congressman that that Summerville project is, in my view, a concept that should be modeled throughout the United States. The Department of Energy is very proud to be a partner there.

The more exciting piece of that is to see the many companies who are also supporting that effort. And anything I can do to publicize and see that such programs are replicated, you can well believe I would like to collaborate with you to get that done.

Mr. Gallo. Thank you, Madam Secretary. Good luck.

Mr. Bevill. Madam Secretary, you just got his vote.

The Chair recognizes Mr. Peterson.

NEED FOR ECONOMIC STIMULUS

Mr. Peterson. Thank you, Mr. Chairman. I am also very pleased to be with you on this committee as a new Member, and I certainly welcome the new Secretary. You are clearly well qualified for your task. I don't envy you in this.

I would like to start, first of all, by answering maybe the questions that have been asked on the other side on this emergency question.

Clearly, what we are talking about here is not an emergency per se. The economy is the emergency, or we wouldn't be talking stimulus. So let's get that behind you. You don't have to make excuses for the emergency question. It has already been made. We need to move on and get on with this.

I think all of us have expressed clearly that we didn't want a stimulus package that would just throw dollars out on the street, and they would be swept up and then no one would ever see anything as a result. We are going to see results from this as a result of our stimulus.

And then, finally, to a major degree, what you are doing is you are accelerating what you are going to do. We are just getting a kick here so that we can end up at the end of the year with 1994 potential, perhaps. So I don't think you need to answer that question any more.

TECHNOLOGY TRANSFER

Secretary O'Leary. Fair enough, Mr. Peterson.

Mr. Peterson. The other thing is on your laboratories, clearly they are jewels out here for all of us; but you also have contracts with universities all through this country that, I assume, you are going to pull into this technology transfer.

And in fact, in my view, there are some of those universities that you may be getting a bigger bang for the buck than you are, in fact, with your national laboratories. So there is going to be a conflict here at some point in time, and I would like to hear if you have examined that. How are university labs going to marry up with the national labs in the transfer of technology? How will they compete for your contractual dollars and your research dollars?

Secretary O'Leary. I would say that in the month and two days that I have been on board, I have not examined this issue in the depth that I understand it needs examining.

I have, however, been looking at it over a long term in my life; and I have many long-standing relationships with university research departments, some who were doing work for me at other times in my life.

I am well aware of both the conflict and the complement between the universities and the laboratories. I have sat in other forums. And I will say it today, that I have never managed a contract that I couldn't manage better, that is, more efficiently and at less cost. This is an examination that cannot take place in a number of days, and it has got to involve all the players. And so this is high on my agenda. And I will point out to you that it will also be very high on the agenda of the Under Secretary once that person is named and confirmed.

I recognize there are opportunities for success and conflict and, certainly, for better and tighter management so that we can both save and produce results.

Mr. PETERSON. Well, in that regard, I hope you will plug into the equation, in the transfer process, at the university level, the work done there and carried out by students. That transfer takes place without any kind of intervention—it is almost osmosis. They just are there.

Whereas, in the national labs, we have these fences around them, and then those folks kind of stay inside. You have to have a program like the CRADA in order to do that. And I want that to be very closely analyzed, because I think that there is an incredible payoff by taking the students and allowing them to move out into the economy. They carry that technology with them in their pocket, in their mind.

Secretary O'LEARY. Absolutely.

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

Mr. PETERSON. Now, in view of the CRADA proposal, you say you have people queued up to take advantage of this. What is their cost? What is their contribution? Is it a percentage? Is each case different? How do they plug into this thing? And then how would you make the selection of those people who, obviously, are queued in longer lines than you are going to be able to satisfy, I presume?

Secretary O'LEARY. The contribution is 50–50, and it comes both with respect to funds and in-kind services of the individuals who are participating.

With respect for establishing criteria for the selection—I will probably have to drone on for hours and hours; and I am going to try not to. The reason that that is so is because laboratories within the framework established by us have outlined criteria for selection that have to do with things such as locked in, as easily understood by someone like me is its capability for commercialization, the quality, and the capabilities of the people who are now part of the proposing team, as well as focus on the strength within the laboratory where the agreement is being sought.

It was explained to me in great detail this week the numbers of processes and committees and subcommittees that now review the application. Suffice it to say that I am certain that the examination is thorough. I am also of the inclination that it may be too thorough; but as I begin to peel this onion a little more, I may change my mind. But at least you will know where the tension is. I think the review is stringent.

Mr. PETERSON. And that is obviously good for you and us too. It may never happen. We may build the fence too high.

Secretary O'LEARY. No. I am going to commit to you that it will happen. One thing I am about is pulling down fences.

Mr. PETERSON. Good.

Secretary O'LEARY. This now permits me to do one grace note, and I would like to discuss with you the fact that the laboratories have—some of them, of necessity—the reputation of very high fences. But in the past four years there has been a great effort at opening up the laboratories with programs that involve enriching both instructors at the college and university level, teachers in the high school and junior high school and even elementary school to enrich them and also bring young people into the laboratories.

Because of the very nature of the defense laboratories, I am fearful and now recognize that this is something that is not widely publicized. But I was just, two weeks ago, in Louisiana visiting with some school teachers who had taken advantage of these programs and opportunities to study at the laboratories during the summer months. So I will focus on that as well so that there will be some balance as we are examining that transfer directly to students that occurs in universities and what can occur in the laboratories as well.

Mr. PETERSON. Okay. Thank you. I have used up, I am sure, all of my time. But I would commend you on the conversion efforts that we want to start again. We clearly have gotten off the mark and gotten incredibly sloppy in this process, and I will certainly assist in any way I can to get this turned around.

So I thank you very much for your testimony.

Secretary O'LEARY. Thank you, sir.

Mr. BEVILL. The Chair recognizes Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman. Let me say first to the Chairman and the Members of the committee how honored I am to be a Member of this group. I have long admired, from the other side of the table, the work of this committee and the graciousness with which I have been received always. And that is testimony to the graciousness of the Chairman and the Ranking Member and the others. And I appreciate the chance to serve on this subcommittee.

Madam Secretary, you bring to the chore that you have been asked to perform a great deal of qualifications both in education and experience that I think well suits you and trains you for this role. We look forward to great things from you.

Secretary O'LEARY. Thank you, Mr. Rogers.

NEED FOR EMERGENCY FUNDS

Mr. ROGERS. I have got to follow up on Mr. Gallo's line of questioning with you.

We are being asked by the President and by our constituents out there to go through some very tough, tough decisions now on handling the deficit. It is a monster that has grown out of proportion to anything that we know, and it truly threatens the survivability of the economy of this country.

We are going to be asked to—are being asked to talk about such things as taxing Social Security recipients. So we are facing some severe questions.

Now, it is not the first time. In 1989 we suffered through the budget summit agreement and, finally—after great laborious trouble, finally reached an agreement, written into law. It said in controlling—trying to control the deficit, Congress—we agreed; we wrote it into the law—you shall not spend a penny more than the cap on domestic discretionary spending, for example, unless there is an emergency.

Although that word was not defined in the law, the common understanding of the word makes it pretty plain what it means. The legislative history reveals that it meant something like sudden, unforeseen, temporary, dire—of dire consequences unless action is taken. And that is the constraint within which the Congress now operates. That is the law.

Now, as much as we may or may not agree with the need for an economic stimulus, the difference in definition between an economic stimulus and an emergency, as I am sure your and my training in the law school—we learned the minute affiliations of words. And I understand the President and you and others in the administration are seeking economic stimulus. But we are trying to fit that square peg into the round hole, which is an emergency.

We have got to deal with exceptions to the Budget Control Act as only in an emergency. And I think, perhaps there is the crux of our problem we are having. You are coming at us from your point of view and looking through your eyes, which is to stimulate this economy and get it going again.

The thoughtful people in the Congress are having to say, well, how can we justify that with this law that we are living under that only allows us to excuse the caps where there is a dire emergency? So that is the difficulty some of us are having with some of the requests that we are hearing on this subcommittee and the others that I serve on. Some of it perhaps is an emergency. Others of it is really tough to fit into that round hole.

On top of that, we are told now that last quarter the gross domestic product was growing at the rate of 5 percent, which is boom time—revised upwards to 5 percent last quarter. Now, not all of the country, of course, shares in that growth. There are pockets—my district, for example—that are not growing certainly at that rate.

But I am just having some difficulty, as Mr. Gallo has indicated, trying to justify a lot of the requests we are receiving, perhaps some of yours, as an emergency.

Can you help me out with it?

Secretary O'Leary. Well, Mr. Rogers, at the risk of being unthoughtful—and I recognize that you didn't mean to imply that only that side of the podium was thoughtful——

Mr. Rogers. I certainly did not intend that.

INTERPRETATION OF A DIRE EMERGENCY

Secretary O'Leary. I understand that. I have two points to make that I believe are important. And you will, of course, have to judge this.

Number one, we are each left with our lawyer's training to interpret the string of words in the legislative history. And I would embrace "dire." And having just been reminded that I don't now have to defend the stimulus package, I will indeed.

The "dire" piece of it, in my mind, is the opportunity to make certain that that one-quarter progress in growth and domestic product—and what I do understand as one who studies the economy and finances generally—that one-quarter does not a boom make.

So I wouldn't be sanguine that we have made substantial progress, especially having just come from New Jersey and even Minnesota, which used to be considered recession proof.

The other point that I would make—and, again, I have been reminded that I should be making this—is that the whole package ties together. If we can take that thoughtful walk and interpret "dire" in the way that now permits us to look at the entire package, which says we are going to cut the deficit, stimulate the economy for the short-term, and invest in a long-term package that creates better jobs, I think you could make, if you will, the walk of faith. I wouldn't even call it a leap of faith. I recognize that this is a difficult piece for you to do and I will not, here today, convince you but I would like an opportunity over time to do just that.

Mr. Rogers. Well, I am not saying you can't convince me. I am just saying that there are some reservations and that I think you should justify the request in terms of whether or not it is an emergency under the law.

And there is, of course, a reason for that. The thought was, we have to have something to control spending or else there is no discipline whatsoever; and the deficit will eat us alive, which we are close to consumption now.

Secretary O'Leary. And I would presume that there is a plan only to stimulate the economy and not a three-part plan to address the entire economic need.

And the "dire" piece would be to simply look at one part of this puzzle and not look at the three inter-relating parts.

THE BUDGET DEFICIT

Mr. Rogers. Well, all of the requests you have made, I would have no problem with in a normal appropriation process where we are not constrained by this emergency sword that is above our heads.

The mechanism is only that if it is not an emergency, we could still do it except we have to find offsetting decreases somewhere else to keep the spending level.

A lot of this request—I think we certainly should do. We should not declare part of this an emergency and, therefore, escape the offset requirements of the Budget Act; or else we are paying no attention to the deficit problem.

Secretary O'Leary. I would counter by saying this to you that the deficit problem is so profound and has been allowed to stand for so long, that it is not a thing that can be addressed in one budget cycle. Once again I commend to you the idea that we cannot look at this as a year-by-year piece, but we must look at it as a continuum, and again, that gets me back to dire.

SUPPLEMENTAL BUDGET REQUEST

Mr. Rogers. Well, now, let me ask you, if I understand the request right to this subcommittee, you are requesting new funds of $47 million for the Research and Development projects. Am I also correct that you are also requesting reprogramming of another $47 million in the 1993 appropriations of the weapons activities to reprogram that into the defense labs, as well?

Secretary O'Leary. That is correct.

Mr. Rogers. Now, is that $47 million now in the defense function?

Secretary O'Leary. It is now in the defense function, and we have taken a tough look at that budget in light of today's realities in our international relationships, and believe that it is better spent on delivering technology to commercialization.

Mr. Rogers. Well, will all of that $47 million, the reprogramming monies, be spent or obligated at least toward purely civilian applications?

Secretary O'Leary. With respect to the defense activities funding, there are requirements contained in the authorization, that permit us now to do a dual project that has both a defense-related undergirding, as well as an application to the private sector, to pick applications from an already approved list, whose fancy name I cannot at the moment recall, but I will know it next time, that twice a year uses a very thoughtful committee to now identify those technologies that have dual applications.

So we are pretty much focused in on a set of applications that are preapproved and not solely within the purview of the Department of Energy to decide.

Mr. Rogers. So that second $47 million will be, although it will be dual-use——

Secretary O'Leary. That is correct, by the definition required in the act.

THE OBLIGATION AND OUTLAY OF FUNDS

Mr. Rogers. Now, how much of these, both of these funds will be obligated during fiscal year 1993?

Secretary O'Leary. We are capable, available and stand ready to obligate them all, and that was really—that is the point of the decision to recommend both the supplemental and the reprogramming.

Mr. Rogers. And how much will be outlaid during fiscal year 1993?

Secretary O'Leary. I am going to have to provide that for the record, Mr. Rogers.

Mr. Rogers. Well, that is a pretty critical question. If we are talking about putting people to work, you can't put them to work by obligating the funds, you have to outlay the funds.

Secretary O'Leary. I understand, Mr. Rogers.

Mr. Rogers. Let me see if I can—I think I have the number.

Secretary O'Leary. Good. Thank you.

Mr. Rogers. Let me see if I can confirm it. I think in the attachments tables, appendix, Table 4, page 13. Am I correct that of the first $47 million, $26 million of that would outlay?

Secretary O'Leary. That is correct. My adequate staff in the back tells me that it is approximately one-half of it, which will be obligated.

Mr. Rogers. It is $22 million I think, if I am not mistaken.

Secretary O'Leary. Yes, you are correct.

Mr. Rogers. A little less than half. Now, which is that? Is that the first $47 million or the reprogrammed $47 million?

Secretary O'Leary. It is the non-defense supplemental request, which is within the jurisdiction of this committee that is being proposed. This is, if you will, new money.

Mr. Rogers. Now, do you have pending agreements or applications for agreements that would allow you to obligate the entire $47 million?

Secretary O'Leary. Yes, indeed we do, Mr. Rogers.

Mr. Rogers. By the end of the fiscal year?

Secretary O'Leary. Yes, we do. To obligate, yes.

CREATION OF JOBS

Mr. Rogers. How many jobs directly can we say we have created?

Secretary O'Leary. With respect to this pool, we said approximately 220 or 230 in the labs alone.

Mr. Rogers. I wonder if it would be appropriate here for you to, for the record, submit the list of the applications?

Secretary O'Leary. The projects? Yes, indeed. We have that available.

[The information follows:]

List of Applications for CRADAs

The following pages list the titles of spin off projects proposed by private sector partners at the non-defense laboratories. The names of the companies are withheld at their request because many of these proposed projects are proprietary in nature. The total DOE funding requested for these CRADAs is $100 million in FY 1993 funding. In addition, CRADA projects proposed under the integrated American Textiles industry partnership, AMTEX(tm), request approximately $20 million in FY 1993 funding.

ARGONNE NATIONAL LABORATORY

Advanced Materials

- The Role of Internal Stresses in Toughening Continuing-Fiber-Reinforced Ceramic Matrix Composites
- Three Dimensional Computer Tomography (3D CT) for Ceramic Characterization
- Laser Scattering for Surface Characterizing in Ceramic Machining
- Development of Nanophase Monolithics and Composites
- Compact, Low-Cost, Oxygen Product Membrane Development
- Boric Acid Lubrication Applications
- Development of Severe-Pressure Lubricants for High-Precision Metal Forming Operations
- Aggregate Staff Exchanges for Materials and Processes

Energy and Environmental Technology

- In-Stream Acoustic Sensors for Detection of Gas Leaks
- Alternate Feedstocks for the Chemicals and Petroleum Refining Industry
- Lithium-Iron Battery Applications
- Tag Gas Mixing and Monitoring System for Utilities

Computing and Electronics

- Intelligent Database Support for GM Corporate Memory
- STATMON Expert System Sensor Monitoring for Florida Power Corp.
- Nuclear Power Analysis Center
- Aggregate Staff Exchanges for Advanced Computing

Transportation

- Tribology in Automotive Planetary Gearsets
- Surface Acoustic Wave (SAW) Exhaust Gas Diagnostic System
- Diagnostic Sensor for Battery Performance

BROOKHAVEN NATIONAL LABORATORY

Advanced Materials

- Enhancement of 2-D X-Ray Imaging Detectors for Industrial Inspection
- Low Temperature Radiation and Characterization of Polymer Composites
- Development of AB2-Type MeH Electrode Alloys for High Energy Density Secondary Battery Systems
- Improved Methods for Manufacture of Metal Matrix Composites
- Study of Micro-Segregation of AB5-Type Mett Alloys and Its Effects of the Capacity an Degradation of the Melt Electrode In Ni/Melt Batteries
- Short Wavelength Free-Electron Lasers
- Novel Characterization Facility For Infrared Detector Materials
- Ceramic Air Foil Thermal Barrier Coating Degradation Mechanisms, Study and Development of Improved Thermal Barrier Coatings
- X-Ray Diffraction and Fluorescence for Microelectronics
- Formation of Thin Films by Reacting Cryogenically Condensed Precursors
- Development of Standards for Surface Profiling Instruments

- Sulfur Cements for Waste Encapsulation
- Synchrotron Radiation Simulation of the Solar Sensitivity of Anodic Coatings at High Photon Energies
- CVD Diamond Film Processing for Compact Free Electron Lasers
- Lithium Polymer Electrolyte Battery Development
- Methods for Characterization Porosity in Materials Utilized in Solid Oxide Fuel Cells

Analytical Inspection Tools

- Predictive Reliability Using Non-Intrusive Diagnostic Method
- Risk-Based Rankings to Defend Against Common Cause Failures
- Compact Reactor Analysis for Eastern Europe Power Plants
- Study of Radiation Shielding and Transport and Delivery of Proton Beam for Accelerator Based Transmutation Reactor
- Study of Radiation Damage and Radioactivity for Accelerator-Based Transmutation Reactor
- High-Flux Variable Spectrum Neutron Source
- Reliability Centered Maintenance for Nuclear Facilities

Information and Communication

- Outage Planning
- Human Reliability-Assessment and Enhancement

Environmental Technology

- Advanced Polyethylene Containers for Radioactive Waste Disposal
- Ion Mobility Mass Spectrometer
- On-Line Absorption/Desorption Systems for the Removal of Volatile Organic Compounds from Stack Emissions
- In-Well Sonication of Contaminated Groundwaters
- Improved Methods for Upgrading Heavy Oil and Residuum
- Adoption of Scandinavian Industrialized Housing Technology by the American Housing Industry for the American Market

Biotechnology/Medicine

- Improved Sensitivity and Speed of DNA Sequencing Using Gel Electrophoresis
- Microsatellite Markers for Corn
- Development of Avalanche-Photodiode Arrays for Commercial CAT Scanners

Manufacturing

- Optical Profiler for Precision Surface Metrology Application
- Center for High Aspect Ratio Micromechanical Systems Fabrication
- Heat Activated Absorption Heat Pumps

Electronics

- Three-Dimensional Optical Data Storage and Retrieval in Bacteriorhodopsin
- Digital Signal Processing-Based Electrical Power Control
- Laser-Initiated Neutron Source

LAWRENCE BERKELEY LABORATORY

Advanced Materials

- Multiple Charge State Ion Source Development
- Raman Microprobe Identification of Semiconductor Contamination
- Additional Silicon Steels for More Wear Resistant Heat Exchanger Tubes
- Development of Diamond Film Coatings for High Performance Ceramic Bearings
- Development of Fiber-Reinforced Diamond-Matrix Composite Materials
    - Novel Materials for a New Generation of Contact Lenses
- New RF Plasma Techniques for High-Rate Diamond Substrate Manufacturing
- Ion Shower Doping of Large-Area Active-Matrix Liquid Crystal Displays
- Characterization of Vacuum Arc Plasmas for Advanced Materials Processing
- Magnetic Memory Media Tribology by Novel Plasma Techniques
- Development of Ion Beam Assisted Pulsed Laser Deposition for/and the Fabrication of Crystalline Films on Non-Crystalline Substrates
- Artificial Intelligence Approach to Catalyst Design
- Superconducting Thin Film Fabrication Technique

Energy and Environment

- Relations Between Bed Material Properties and the Wastage of Heat Exchanger Tubes
- New-Technology Zinc/Nickel Oxide Batteries
- Field-Deployable, On-Site, Metal Isotope Monitor
- Advanced Numerical Simulation Tools for Analysis of Subsurface Contamination with NAPLs.
- New Simulation Techniques for Advanced Modeling of Subsurface Environments

Biosciences/Medical

- Medical Application of Accelerator Technology
- Instant Radiography -- Solid State X-Ray Imaging
- Multilodal Visualization of Biomedical Images
- The Role of Cortical Segmentation in Modeling Electrical Currents of the Brain
- Development of New, Heavy-Atom, Ultra-Fast, Bright Scintillators for Gamma Ray and Charged Particle Detection, and for Positron Emission Tomography
- Development of High-Rate, High Resolution PET
- Molecular Cytogenetics
- Lipoprotein Analysis by NMR

Advanced Manufacturing

- Fabrication of Micromechanical Sensors, Motors, and Actuators Using Deep X-Ray Lithography
- Cost Effective Manufacturing Technologies for Light Sources
- Analysis Simulation & Integration - Automation - Energy - Environmental Quality and Waste Minimization - Improved Materials

Computing and Electronics
- o Solid State Photomultipliers
- o Imaging Nuclear Bomb Hardware Components
- o Development of High Production Yield Large CCD Imagers
- o Technology for Delivery of Multimedia Databases and Services Over the Public Data Network
- o Frameworks for Next-Generation Machining and Manufacturing
- o Qualitative Simulation of the Fiber-to-Consumer Cycle
- o Object-Oriented Database Tools
- o Highspeed Workstation Interface
- o Conference Room-Based Packed Video Conferencing
- o Networked Image Processing Server
- o Compact Neutron Generator
- o The Nuclear CD-ROM

OAK RIDGE NATIONAL LABORATORY

- o Space Exploration Initiative Radiation Environments Program
- o Shielding Materials Studies at the ORNL Tower Shielding Facility
- o Use of Electric Fields for Advanced Solvent Extraction Operations
- o Rational Design of Distillation Trays
- o Improve Coal Bed Recovery and Improve Safety and Efficiency of Coal Mining
- o Development of New Techniques for the Numerical Simulation of the Properties of
- o Cost Reduced Imaging Architecture for Real Time Inspection of Continuous Web Products
- o Development of a Multiplexing Data Acquisition System for On-Line Inspection of Non-Woven
- o Development of Instructional Experiments Using the New Technology of Scanning Probe
- o Measurement of Gate Valve Guide Clearance
- o Fabrication of High Temperature Superconducting Current Leads for High
- o Fabrication of High Temperature Superconductor Powders by Aerosol Spray Pyrolysis
- o Coating Techniques for Aerosol Powders and Zone refing of 123 Rods
- o Research on irradiation Embrittlement of reactor Pressure Vessel Steels
- o Fabrication of High Temperature Superconductor Powders by Aerosol Spray Pyrolysis
- o Characterization of Radiation Effects on Pressure Vessels
- o Process Improvement for Manufacturing of High-Performance Silicon Nitride Ball Bearings
- o Mass Storage, Performance Monitoring Supercomputer Division Tools & Visualization for Massively Parallel Computers
- o Application of Current Signature Analysis to industrial production an Support Systems
- o Slow Position Microanalysis Methods to Problems in Materials Science
- o Software Tools for Scalable Parallel Computers
- o Computational Fluid Dynamics on a Parallel Virtual Machine
- o Parallel Algorithms for Visualization of 3D Volumetric Data
- o Wear Resistant Polymers by lon-beam Process for Medical Application
- o Electronic Data Base for Radiation Shielding Benchmarks
- o Direct Sampling lon Trap Mass Spectrometry (DSITMS)
- o Application of Current Signature Analysis to Industrial Production and Support Systems

- Single-Unit Alpha/Beta/Gamma Scintillation Technology for Environmental Monitoring and Health Physics Instrumentation
- Automation of Fiberglass Production Equipment
- Advanced On-Line Steam Diagnostics
- Parallel Programming Tools for Networks of Heterogeneous Computers including Work Stations and Networks
- Development and Support of Scaleable Software Libraries for Massively Parallel Processors
- Evaluating Process Control and Analysis of Large Data Sets
- Computational Methods for Large Scale Data Analysis and Visualization
- Techniques and Algorithms for Lossy Compression an Decompression
- Sand Castings, Wire Drawing and Foil Fabrication of Iron Aluminum Alloys
- Navigation of Industrial Robots for Maintenance Tasks in Hazardous Environments
- Pattern Recognition for Remote Sensing Application
- Integration of the GRAIL Gene Localization System in Commercial DNA Sequencer
- Multi-Modal Interface for Advanced Teleoperation
- Non-Intrusive Head Tracking
- Advanced Intelligent Interface to Support Complex Process Control
- Computer-Aided-Analysis and Development of the Evaporative Pattern
- Joint Development and Commercialization of GRAIL
- Carbon-Carbon Composites for Human Prosthetic Applications
- Fabrication to Thin-Film Batteries for Microelectronic Devices
- Controller for Multi-purpose Robot Hand Mechanism
- Adapt and Deploy Electrets for Cost-effective Screening of Alpha Surface Monitoring
- Welding and Weldability of Directionally Solidified Nickel Base Alloys
- Fiber Coatings for Controlling Properties in Composites
- Weldability Test Development
- Development of the Life Prediction Methodology and Optimization of the Welding Process of Weld Repaired Components
- Development of Advanced Compressor Technology for Refrigerators
- Development of New Refrigerant Properties
- Development of Advanced Refrigeration Technologies for Chlorine-Free Refrigerant Mixtures
- Development of Advanced Surfaces for Horizontal Tube Falling-Film Absorption
- Electric Motor Current Signature Analysis
- Development of the Electric Roof
- Advanced Industrial Envelope Components
- Development of Super Skylights
- Development of Switchable Coatings for Opaque Surfaces
- Evaluation and Selection of Advanced High Cool Absorption Cycles
- Field Test of Phillips Generator-Absorber-Heat Exchanger (GAX) heat Pump Prototypes
- CFC Replacement Technical Center
- Convection-Free Attic Insulation
- Reduction in Industrial Energy Consumption through Improved Wastewater Treatment Process
- Advanced Fuel Cell Development
- Flaw Assessment Procedure for Welded Components Subject to Creep-Fatigue Loading

- Development and Application of Advanced Constitutive Equations for Gas Turbine Superalloy Bucket Materials
- Application of Neutral-Network Methodology for Optimizing Automotive Painting Processes
- Models for NDE and Fluid Transport Effects on Erosions/Corrosion of Piping Single Crystal Superalloys
- Characterization of High Field Strength Permanent Magnets in Motors with Active-Control Power Electronics
- Flywheel Energy Storage Feasibility Study
- Microwave Curing of Polymer Matrix Composites
- Development of Parallel Algorithms for Motor Vehicle Crash Modeling
- Electron Beam Curing of Polymer Matrix Composites
- Secure Fiber Optic Communication System
- Portable System for Interrogation of Fiber Optic Communication Lines
- Respiratory Wall Movement Monitor
- Flywheel Suspension and Bearing Research
- Research of Flywheel Gimbals for Automotive Applications
- Parallel Programming Tools for Networks of Heterogeneous Supercomputers
- X-ray Microdiffraction Study of Integrated Circuit Conductor Strain
- Equipment Improvement for Mass Flow Controller
- Thinflim Batteries
- Brazing of Aluminum Nitride for High Reliability High Performance Applications
- Thin Film Oxides for Photonic Switching and Information Processing Optically Active Barium Titinate
- CVD Diamond for Microelectronics
- Parallel Methods for Multistage Turbomachinery Analysis
- Reduction of Nitrogen Oxides in Engines Using Nonlinear Dynamics Analysis
- Portable Remote-sensing Infrared Spectrometer as an Inspection Tools to Analyze Surfaces
- Nanodispersed low emissions diesel fuels
- Sensor for early detection of cancer for workers exposed to carcinogens
- Lithium Hydroxide: de Monohydrate reprocessing
- Telemetry system for acoustic emission monitoring in remote and/or harsh environments

PACIFIC NORTHWEST LABORATORY

- Institutional Support for Program Management, Personnel Exchanges, Small CRADA's, and Technology Maturation Projects at PNL
- R&D Support for the AMTEX Partnership (2)
- Cylinder Materials and Design for Reduced Emission Origins
- Development of an Industrial Process for Providing Improved Coatings of Machine Components
- Development of PNL Metal Matrix Composite (MMC) Technology for Automotive Drivetrain Applications
- Development of Ultrafine Powder Production Technology for Advanced Fabric Applications
- Development of Ultrafine Powder Production Technology for High Temperature Composites
- High Rate Deposition of Polymer Multilayer "Heat Mirror" Coatings for Automotive Glazing
- Specialized Coatings for Scale Inhibition

- Superplastic Forming Modeling and Simulation
- Thin film Materials for Low Cost, High Performance Solar Concentrators, Phase II
- Development of Multiple Meters for Nondestructively Measuring the Hardness Depth of Case Hardened Steel Components
- Development of Near-field Optical Microscope and Spectrometer
- Development of an Ultra High Sensitivity Electrospray Ionization Source for Mass Spectrometers
- Instrumentation of High Speed Analysis of Vehicle Emissions
- Non-Destructive Test Methods for Evaluation/Inspection of Aluminides and Other Similar Protective Coating Systems
- Mobile Cart Operation and Maintenance System
- On-Line Weld Inspection
- Thin Film Sensors for Exhaust Gases
- Development of Hybrid Quantum Mechanical-Molar Mechanical Potentials for Solutions and Polymer Chemistry Systems
- Guassian Representations of Electrostatics in Molecular Dynamics Simulations
- National Storage Laboratory (NSL) Collaboration to Develop a High Performance Storage System (PSS) for Massively Parallel Processing (MPP) Systems
- Variable Reduction Techniques Applied to Molecular Applied to Molecular Dynamics
- Development of Hybrid Semi-aqueous/Supercritical Carbon Dioxide parts Cleaning System
- Electrical Technique for the In Place Destruction of Ordnance Items in Soils
- Evaluation of In Situ Bioremediation for Mixed Chlorinated solvents
- Mercury Removal: Supercritical Fluid Metal Chelates Selectively Separate Mercury from Waste
- Microbial Processing of Waste Tire Rubber
- Vapor Phase Bioremediation of Hydrocarbons and Chlorinated Organic Compounds
- Rational Design and Synthesis of Metal Chelating Agents for Medical Diagnostic Imaging
- Screening of Subsurface Microorganisms as a Source of Novel Pharmaceutical Compounds

Ames

Electronic
- Development of Advanced Cryocoolers for Superconducting Electronic Packages

Computers
- Single Crystal Identification System

Advanced Materials
- Enhancement of Properties of Permanent Magnet Materials Through Composite Changes and Materials Processing
- Nondestructive Evaluation Instrumentation: Ultrasonic Characterization of Texture

SUPERCONDUCTING SUPER COLLIDER LABORATORY

- Automated Control of a Tunnel Boring Machine to Improve Accuracy and Reliability

Fermilab

Computer

- High Performance, High Volume Data Analysis and Service
- Parallel Workstation Farms: Express Path to Parallel Computing in Industrial Research
- Performance Monitoring Instrumentation & Software for Massively Parallel Teraflops Computers

Biotechnology

- Real Time X-Ray Imager Preamplifier
- Second Generation Particle Accelerator for Medical Use

TEXTILES

Environmental Quality and Waster Management

Air Emissions Monitoring
Metals Removal from Textile Wastewater

Analysis, Simulation and Integration

ASI-10: Special Interest Group (SIG) for AMTEX Partnership
ASI-09: Pattern Matching for Garment Cutting Operations
ASI-08: Modular Simulation of Textile Properties
ASI-07: Decision Support Tools for Quick Response Strategies
ASI-06: Manufacturing Validation for Implementation of Quick Response Processes in the Textile Industry

Automated and Real-Time Systems

Automated Tool Safety Model
Real-Time Database
Expert Systems for Textile Processing

Plant Processing

Use of Lasers in Cutting Single and Multi-Ply Textile Fabrics
Enhancement of Textile Dyeing with Ultrasound
Microwave Drying of Textile Materials

AMTEX

Energy

- Water Utilization Efficiency Improvement (filtration, thermal management, etc.)
- Ultrasound Enhanced Dyeing
- High Efficiency Separation for Thermal Management

Improved Processes & Materials

- Automated Machine Vision for Textile Inspection
- Non-aqueous Processes (dyeing, etc.)
- Sensor and Process Control Technologies

Environmental Quality and Waste Minimization

- Air Emissions Monitoring Systems
- Conversion of Textile Waste to Fuel Gas
- Removal/Destruction of Metals/Organics In Waste Water
- Improved Methods of Applying Color To Textiles (e.g., supercritical fluids).
- Environmentally Conscious Manufacturing and Waste Minimization

Automation

- High-speed Fabric Cutting
- On-line Sensors for Control of Textile and Apparel Processes
- 3-D Direct Fabric Forming (A New Manufacturing Paradigm)
- Garment Fingerprint Tagging to Prevent Counterfeiting

Simulation and Computer Integration

- Simulation of Information and Product Flow in the Integrated Industry
- Development of Communication Software to Connect the Major Information Components of Business Processes, Strategic Decisions, and Resources to Create An Optimum Electronic Marketplace
- Collaborate With Private Industries Who Are Developing the Computer Communication Infrastructure

IMPACT ON FISCAL YEAR 1994 BUDGET

Mr. ROGERS. Thank you.

Now, assuming that this is approved, in the fiscal 1994 request that you will be making for the labs, how will this affect your 1994 request? Can we say that you are going to give us credit on 1994, to some degree, for what we do for you now?

Secretary O'LEARY. Well, certainly the plan is with the way these programs are catching fire to continue to expand this program. On the other half of this podium, there has been a thrust and an attempt to get us to do, if you will, a set-aside for these CRADAs. We have tended not to want to address that, but in a very orderly fashion, to make funds available.

And so I can provide you with the numbers for the outyears and what I am seeing on the investment package itself, a delta now of 30? And then $50 million for the forward years, which we can easily obligate and make good use of.

Mr. ROGERS. Well, I thank you for your time and testimony.

Thank you, Mr. Chairman.

Mr. BEVILL. The Chair recognizes Mr. Chapman.

Mr. CHAPMAN. Mr. Chairman, thank you very much, and Madam Secretary, welcome.

Secretary O'LEARY. Thank you, Mr. Chapman.

ADDITIONAL PRIVATE SECTOR INVESTMENT

Mr. CHAPMAN. It is a pleasure to have you aboard and I look forward working with you.

Let me ask you if I may, and I am going to ask you here to do ball park, and don't punt. From the standpoint of the interaction between the national labs and the private sector, based on the proposals, 30 or whatever they may be that have been identified for funding, is there any way to know with the public investment, both from the $47 million of this committee, and perhaps the defense funds, what is that leveraging from the other side in the private sector from a resource standpoint? Do we have any idea?

Secretary O'LEARY. In terms of new jobs or holding onto jobs?

Mr. CHAPMAN. In terms of money. Do we have any idea what this $47 million buys us in additional investment from the private sector, in partnership, if you will.

Secretary O'LEARY. I think what we can do is make a set of assumptions with respect to both rate of accomplishments or achievement and rate of failure and work up some figures that would be sound in terms of using those kinds of calculations to do projections, and I would like to have an opportunity to do that for the record.

Mr. CHAPMAN. Okay.

[The information follows:]

THE PRIVATE SECTOR'S ESTIMATED LEVERAGING CONTRIBUTION

The estimated leveraging contribution from the private sector is fifty percent, or $47 million cost-share of funds in or payment in kind contribution.

FISCAL YEAR 1993 SPINOFF CRADA PROPOSALS

	ANL	BNL	LBL	ORNL	PNL
Materials	8	16	14	25	9
Analytical inspection tools		7		14	8
Information and communication		2		18	4
Environmental technology	4	6	5	20	6
Biotechnology/medical		3	8	5	2
Manufacturing		3	3	6	
Electronics	4	3	12	7	
Total	16	40	42	95	29

COOPERATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

Mr. Chapman. Could you briefly, and I don't mean to elongate the hearing, but could you briefly walk me through quickly how one of these would work in concept? How do you identify, and then put a CRADA in place, either by example or a real one; if you could, tell me how that works?

Secretary O'Leary. Yes. As a matter of fact, I will use as an example a CRADA which will be formally signed within the next two weeks with a fully integrated textile industry, which some of you may know has itself lost a half-a-million jobs over the last decade.

The opportunity to cooperate with the totality of that industry was actually examined and addressed in a workshop held by the Department in the laboratories attempting to identify both sectors of the economy and individual companies who were anxious to collaborate with the laboratories. I have been told by the leadership, both at the labs and with the textile industries, that that opportunity came out of those meetings, and identification of the fact that high speed, computerized-assisted work would make the work of the textile industry that much more cost-effective. Some months were spent actually examining capabilities within the labs to assist various parts of the industry.

I have been told, and you can help me on this, that that negotiation took place over less than a half a year?

Mrs. Smedley. That is correct.

Secretary O'Leary. The Department is ready to sign a CRADA on or about the 15th of March, which was very complex in that it involved four or five laboratories, as well as the entire industry. This is a model that I am very proud of for several reasons.

Number one, the entire integrated industry was on board and we involved several laboratories to come up with a project of which we are all very proud. I think you can see more of that and the flexibility that I talked about earlier in relieving the deal breakers, and also now being able to negotiate very complex agreements among multiple parties, both on the Government side and on the industry side, in my mind, represents success.

To the degree that we can improve processes with technology in the textile industry and bring jobs back to that section of the country, I think that that is what we ought to be doing.

Mr. Chapman. Well, let me say I absolutely wholeheartedly agree. There are many places where we have seen where there have been those kind of partnerships with industry and Government. I think it has been demonstrated to us in many different areas that perhaps we have been a bit remiss or more than a bit remiss in exploring those issues here and I think the concept is good.

Let me ask, this is just because there is something in Texas that I am aware of, MCC and Sematech are two primarily private sector, but with some public interest. Is this the kind of thing that an MCC or a Sematech could view as an opportunity to create a partnership with an agreement with one of our national labs?

Secretary O'LEARY. Exactly.

Mr. CHAPMAN. To further some of the research they are trying to do, which is, as I understand, basically exactly the same thing—get industry and R&D together, figure out how to make industry more efficient.

Secretary O'LEARY. Exactly.

OBLIGATION OF FUNDS

Mr. CHAPMAN. As far as obligating the funds, and I know there have been a lot of questions in the hearings I have attended, not just this one but others, in the last two days about how quickly the money can be obligated and some questions about the number of jobs and how it translates into jobs. I don't think the jobs question should be the major parameter as measuring what should be in the stimulus package, although it is important.

More important I think is turning this economy around and making us competitive in a global marketplace, and I can't think of any effort better than what you are proposing here.

The question is are the identified opportunities to obligate the money, both the $47 million we have before this subcommittee and the others, are those in place now? Will there be opportunities for an MCC or Sematech or some other project to be able to look at the dramatic increase in funding here from $10 million to these new amounts and say this is an opportunity, and be able to come to the Department of Energy with additional proposals that may not be there at this time?

Secretary O'LEARY. I would say again, speaking for Dr. Happer, that we would encourage all opportunities, and he tells me, yes, as well.

OUTLAY OF FUNDS

Mr. CHAPMAN. Okay. The outlays that we are talking about in 1993, I would trust that the balance of the outlays would come in 1994, would that be fair for this appropriation?

Secretary O'LEARY. Yes, yes.

Mr. CHAPMAN. So the outlays would occur in either fiscal year 1993 or 1994.

Secretary O'LEARY. Yes, that is correct.

Mr. CHAPMAN. Of the total amount?

Secretary O'LEARY. Yes.

Mr. CHAPMAN. Well, I cannot think of any more important work from the standpoint of the plan, if we view this as a plan, than using some of the resources, taxpayer resources and using the treasures of our national laboratories to join hands with industry in making our industry more competitive.

I look forward to supporting you and look forward to working with you later. Thank you very much.

Mr. ROGERS. Will the gentleman yield?

Mr. CHAPMAN. Sure.

Mr. ROGERS. Am I correct that $7 million of the outlays would be in 1995?

Mrs. SMEDLEY. I think that assumes using a factor; and we are obviously hoping to get this money out early on, so the outlays will occur in 1993 and 1994.

Mr. ROGERS. Well, I am looking at the submission of the President and OMB, and on Table 4, it tells me that seven million would be outlaid in 1995.

Mrs. SMEDLEY. You are correct, the table says that, Mr. Rogers. The point I was trying to make is that these outlays are based on normal factors for outlaying funds, and since these proposals are in hand and ready to go, we hope to do better than that.

Mr. ROGERS. Thank you.

Mr. CHAPMAN. And I might point out that the sooner we get this proposal going, the sooner it will outlay, I would assume, and so perhaps we can move forward quickly.

So Mr. Chairman, thank you. I yield back my time.

Mr. BEVILL. The Chair recognizes Mr. Pastor.

CONSERVATION AND WEATHERIZATION GRANTS

Mr. PASTOR. Thank you, Mr. Chairman. Good morning and welcome Madam Secretary. I only have a few questions because I have to go immediately to across the hall.

But before I ask a few questions, I remember also another saying that reasonable men and women will differ, and I guess under partisan politics, it is probably highlighted. So I guess we are all being reasonable, maybe not too thoughtful, but reasonable.

The first question I have deals with the conservation grants and weatherization. What priorities are you giving in awarding these grants to the different States? Are you looking at unemployment rates, under-employment rates, weather conditions?

Secretary O'LEARY. I knew that you were going to ask that question.

Mr. PASTOR. Because right now the three of us here, at least right now, aren't suffering the problems that we have here, but in the summer we have our problems. So that is my question. What kind of goals and priorities are you using?

Secretary O'LEARY. The criteria have been established and regulations that are constantly reworked and were recently published in final, I recall about a month ago, do take into consideration variable factors among and between the States. There will be many opportunities to review and resettle issues involving cold and warm States.

I am also very quick to point out to you with regard to cold States that in this last, very close examination of criteria established, I believe what was perceived by some to be an overweighting to the cold States to the detriment of the warm States was taken care of in a committee, to my recollection, that was chaired by a chair from a warm State. I think for the short-term all of us are comfortable with the balance that appears to be more appropriate, the criteria with respect to jobs and the like; remember I am having to refresh myself from almost 18 years ago, so I simply say to you that the formula goes to population, and to weather. The States then have to match in terms of their availability to put 50 percent on the line, and sometimes for some States this is a difficulty.

There is also a process for reallocating funds that are left on the table. The next time I appear before you, I promise to be very much more conversant with all of the criteria in that formula. But I can tell you that they are often reexamined and often reworked, and so we will continue to do that, I am sure.

Mr. Pastor. Thank you. On the Federal buildings energy efficiency, I have to tell you that I still keep in the winter my thermostat at 68 degrees, so you did have a profound effect, at least on this Congressman.

Alternative fuel vehicles. In the West we are looking at electric vehicles, and I was wondering if some consideration is going to be given to electric power vehicles, and also solar power. Because in some States we are looking at solar-powered energy to run our automobiles.

ALTERNATIVE FUEL VEHICLES

Secretary O'Leary. Yes. Often it is so easy to thumbnail sketch and talk about the preferred fuel source of the moment. I would like to make it perfectly straightforward to say that we are looking at all alternative fuel vehicles. And, as a matter of fact, we are probably going to have an executive order available sometime this week addressing alternative fuel vehicles for the Federal fleet.

You can rest assured that I am very sensitive to the need to include all alternative-powered vehicles and understand that there is real capability for short hauls for electric vehicles. In point of fact, I have used some in my own service territory in my other life. I am well aware of progress being made with solar-powered vehicles and have, in fact, again in another job, provided funding for that development as well. So, I am very sensitive to those issues.

GOALS FOR THE DEPARTMENT OF ENERGY

Mr. Pastor. Thank you. The last question deals with the statement you have that the additional $47 million dollars will support initiation of 60 to 70 new CRADAs, based solely on industry need. Now, the question I have is obviously you are going to have some goals as the Department of Energy, and you probably have set some of those goals. Now, how are you going to take this initiative and bring it into the goals of the Department of Energy?

Secretary O'Leary. In two ways. On the defense side it is very easily done, because there is the mandate and the list that I discussed earlier. With respect to the non-defense side, I am going to really spook this staff who doesn't know me well yet, but why not here as opposed to back at home?

My sense is that we perhaps need to get more away from the Department's needs as we are now defining them and step closer to the industry needs. And I recognize there will always be a tension between those sets of needs.

I will be driving to what we now describe as the pull of industry, because we want industry to pull us, we don't want to push them. The reality is that we also have to look at the capabilities of the labs with respect to their experience and where they have the best minds. It is almost like a push me/pull me toy, because we can't pretend what we are going to do for the private sector that which we don't have the capability to do. But my view is that we have really got to permit industry to pull us, and that is where the culture change has to take place.

FRAMEWORK OF NATIONAL GOALS

Mr. **Pastor**. But the problem I may have is that the industry may want to pull us in a certain way, but is that in the national good? I think the Department has to keep a balance and say we are here to protect the national good, even though this industry wants to push us over there, you know.

Secretary O'**Leary**. I am understanding you much more clearly. I think we all have to operate within a framework of national goals, which, in my view, are from time to time a bit different than the Department of Energy's goals, and again this other exquisite tension where we are always trying to pull those in line. I am now understanding that somebody is going to watch us carefully so that we are not being pulled too roughly. I hear you and I will attend that. I understand your point.

Mr. **Pastor**. I look forward to working with you, and best of luck. Thank you.

Secretary O'**Leary**. Thank you very much. I need a lot of luck.

Mr. **Bevill**. The Chair recognizes Mrs. Meek.

Mrs. **Meek**. Thank you, Chairman Bevill. First of all, I would like to thank Mr. Fazio and Chairman Bevill for appointing me to this committee. I bring color and lots of gender to this committee, and I am pleased to be here.

I am also happy to be here to congratulate you, Madam Secretary, to see that you have come past the confines of both race and sex and have come to this position. I am very proud.

Secretary O'**Leary**. Thank you. And I am lately thinking also age.

NEED FOR ECONOMIC STIMULUS

Mrs. **Meek**. Yes. I can understand that. I have some questions, but you need to know from the very beginning that I support the President's stimulus package. I support it not blindly, but from the standpoint I know that there is a deficit there, and we've got to get on with it, and we have got to do something about it. The reason it is there, we all understand that, but now we are here to do something about it.

I have some kind of anxieties and apprehensions, as well as the rest of the members of the committee, and I listened very intently as they talked because I am the freshman on the committee, so if I blurt out something, it is forgivable. I listened to them as they spoke and I have a lot of their sensitivities in the way they feel about some things.

But my feeling, having come from a background in biology and education, is that there is more to a stimulus than a quick start and end. A stimulus is an innovator, or a reciprocal kind of innovation, similar to the way our nervous system works. So I am familiar with what you are trying to do.

I am also going to have some difficulty, and I want to tell you why, and I want to tell the committee why. I had very little input into this package, and as a little old freshman, maybe I shouldn't. But you need to know and the administration needs to know that I come from an area where we just had a devastating hurricane; we had about 85,000 people left out of jobs and homeless, jobs that will never return, places that will never return to generate an economy there.

And when I see us agree to putting $47 million into CRADAs, naturally I have some concern. But I also have a very strong belief that these CRADAs are going to be worth more than a relief package to industry, at least I hope so, and a relief package to the universities. I am from a Senate where I have had to vote and agree to a lot of things which I didn't feel any immediate impact, so I have that faith that there will be some long term and some immediate impact.

Of course, if I had my way, I would change this whole thing around, but I don't have my way. I am here to work with you and the rest of this committee to try to get to that, to try to pull industry. I don't really envy your job, because I see you straddling both industry, the private sector, and Government. That is going to be a very hard job for you.

But I want you to know you are going to have my support in trying to help you do that. I think there are some things where your creativity will be called upon, and that is in terms of getting people to think in certain ways and to shape them in certain kinds of focus, where they can see that some of the high tech jobs are leaving a lot of low technical and middle technical people out. You must develop that capability. There has to be some capacity building here. The universities and the industries have to look at this as well. Where are we? What is the state of things here? Can we build some capacity to bring people into this so that they will come up the ladder and create some jobs, because they have been better trained?

Now I want to tell you, a lot of this is rhetoric, all right? Now, I can say a lot of this rhetoric because I have been through it, and I know what is going to happen. And I know that with CRADAs, you will never see what is inside the CRADAs; you will see what they want you to see.

But we are here to help you as the Secretary if there is any way you can create an environment that Government and industry can reshape itself to revitalize our economy, to benefit everybody. I think that is why Mr. Fazio and Mr. Bevill placed me on this committee, so that every now and then when they get out on the stratosphere, that I can say, come on, let's pull back to middle America, to the people who really, really need the jobs.

Now, my question to you is, do you think that you and your Energy Department, that you have the turpitude and the attunement to do this?

CREATING JOBS

Secretary O'LEARY. The Department is a very large organization with over 18,000 people and I am not even counting the contractors. It requires strong leadership and also strong followership, and sometimes the followers are the leaders.

I want to point out to you that while I talk about CRADAs today and high technology, I am also part of a larger team, both in this Administration and the Department of Energy that has looked at the volunteer service and thought about how we can turn that effort towards jobs. More importantly, in looking at how we are going to pull back from the defense work in the laboratories, I talked about my dream for the labs.

One of the things we can do within that same framework as we look at the job provision is examine the whole area for conservation and environmental services that will over time provide high quality jobs that most of us know there are no people qualified to take today. We are not turning out students who understand science and math, and perhaps more importantly, skills of communication and negotiation.

We can now use the job effort as we convert from defense work over to restoration and cleanup and creating green labs, which is also one of my visions. The labs should focus on issues involving technology for the environment and improvement of the environment, which will create jobs. There has to be a place within that framework, not just for college educated kids, but for kids coming out of rural and urban America who have no opportunities for jobs, and want with great respect to get out of working in fast food places and low technical, no future, jobs.

I have the vision to accomplish that, and I think that I am working with any number of other people, both in my administration and outside who have the vision and will to do that. I wouldn't be here, because there are lots of other, more comfortable places to be, if these kinds of visions weren't driving me, Mrs. Meek.

So we are greatly attuned, and I believe that I am in tune with this committee and that they are seeing the same visions.

Mrs. MEEK. Thank you.

Mr. BEVILL. Madam Secretary, would you describe how the proposed Cooperative Research and Development Agreements, or CRADAs, as we call them, differ from your existing non-defense agency programs, such as the cost sharing programs in solar?

Secretary O'LEARY. I am not certain that they differ so greatly, except to the extent that they are now developed and put forward by different parts of the Department of Energy. In preparing for this hearing, I am well aware that there could be a better coordination between the two sides of our house, because there are lessons to be learned from both sides and more careful work that can be done with this cooperation.

Again, another one of my visions is to make sure that we are not dealing with each other in the Department in our separate silos, but that we are working together in enriching the product and the experience. So I think they are operating somewhat similarly, and I can commit to you that they will be operating much more in close attunement.

Mr. BEVILL. So much has been said about this package. I was asked the question yesterday at a press conference whether I was going to support this $500 billion package and did I think it was going to do all these things. And I said well, you know, President Eisenhower, when he became age 65, was asked what he thought about becoming a senior citizen. He said, "When I consider the alternative, I am in favor of it."

And so we have this package and we don't have an alternative. I haven't seen one, I haven't even heard of one. So I am going to be supporting it, and I hope you do as well.

Thank you for your testimony. Are there any other statements or questions? If not, we have the U. S. ARMY Corps of Engineers next.

Madam Secretary, would you get the answers to those questions as soon as you can because of the fast track we are on here?

Secretary O'LEARY. I understand, Mr. Chairman, and I thank you for this very gracious first hearing.

Mr. BEVILL. Thank you for your very fine presentation.

Secretary O'LEARY. Thank you, sir.

Mr. BEVILL. I think we are going to see a lot of good things happen under your leadership.

Secretary O'LEARY. Thank you, sir.

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS

WITNESSES

G. EDWARD DICKEY, ACTING ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)
LT. GEN. ARTHUR E. WILLIAMS, CHIEF OF ENGINEERS
JOHN ELMORE, ACTING DIRECTOR OF CIVIL WORKS
MICHAEL E. STRACHN, DEPUTY CHIEF, PROGRAMS DIVISION

Mr. BEVILL. The committee will come to order.

Dr. Dickey, we are pleased to have you here with us today, and also our friends General Williams, John Elmore and Michael Strachn. Did I pronounce it right, Mike?

Mr. STRACHN. That is close enough, sir.

Mr. BEVILL. All right. Dr. Dickey, the Chair recognizes you, and you may proceed as you wish.

Dr. DICKEY. Thank you very much, Mr. Chairman. I know the hour is late, and let me move very quickly to summarize my remarks and then we will be prepared to address your questions.

First of all, let me say, Mr. Chairman, that we are gratified that the Army Corps of Engineers is included as part of the President's plan to guarantee a strong economic recovery through job-creating investments. I emphasize the term investments because we are proud of the record of the Corps as a productive user of the Nation's labor resources to produce fiscal assets which produce benefits over many years. And indeed, the kinds of projects we are proposing here are the kind that typify our program, and in fact they are mostly focused on improvements to our existing infrastructure. They are the kind of things that we can get under way quickly. Let me just say that our request totals some $94 million, including $3.9 million for Construction, General, $76.5 million for Operation and Maintenance, General, and $13.5 million for Flood Control, Mississippi River and Tributaries. We estimate that our proposal will result in almost 3,500 new jobs.

In putting together this program, we of course limit ourselves to authorized work and work that can be gotten under way quite quickly. The projects all meet our normal budgetary criteria, which means they are engineeringly sound, they are economically sound, they are environmentally sound; and they address high priority outputs, including navigation, flood control, hydroelectric power and environmental protection.

We have not included in this proposal dredging projects, because dredging is not particularly labor intensive, compared to the other kinds of things that we can do. As I mentioned, the focus of the proposal is the operation and maintenance account, doing relatively small projects for the most part in addressing the backlog essentially of maintenance on many of our projects across the country.

Although we do focus on the maintenance aspect of our program, indeed there is a wide variety of projects being proposed, including work on a construction project where the intent is to achieve earlier realization of the project's benefits. This is the New Orleans to Venice Hurricane Protection Project and because of the work that we will be able to do under this, we will have an earlier realization of some of the benefits associated with that project. Similarly, we have some work on the Mississippi River and Tributaries Project, which again will result in earlier realization of project benefits.

Certain categories of work are oriented toward meeting environmental requirements. For example, some work on the Tennessee-Tombigbee Waterway is focused on the bendways and ensures that we comply with the environmental requirements which govern all of our projects.

Other investments are aimed toward improving long-term operating efficiency to provide services in a more cost-effective manner.

Finally, we have certain investments that are aimed at improving the safety of our projects. So you can see from the examples and the categories I have mentioned here that we do cover a broad spectrum, with the emphasis on speedy obligation and achievement of the outlays in 1993 and 1994. Of course, most of the work that we are proposing will be performed by contract with the private sector, and the small and disadvantaged business program will be considered in the awarding of contracts. The government overhead associated with this work is minimal, because the planning and design work has already been completed.

The estimate of jobs that I provided, the 3,500 is our estimate of the direct jobs created by this expenditure, and it includes both on-site and off-site employment. The kinds of skills are those typified in the construction industry, and thus their impact is highly localized. Let me just say in conclusion that as the world leader in engineering and program management, the Corps has a reputation for confidence in meeting immediate needs of the Nation. We stand ready to accomplish this very important mission in terms of the actual creation of jobs and adding to our productive infrastructure. With your permission, Mr. Chairman, we will submit a list of projects for the record and we will be happy to answer your questions.

[The prepared statement of Dr. Dickey and the Corps of Engineers portion of the President's stimulus package follow:]

STATEMENT OF G. EDWARD DICKEY
ACTING ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)
BEFORE THE SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
COMMITTEE ON APPROPRIATIONS, HOUSE OF REPRESENTATIVES
ON THE FISCAL YEAR 1993 SUPPLEMENTAL BUDGET FOR CIVIL WORKS

FEBRUARY 24, 1993

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

INTRODUCTION

I am pleased to be testifying before this Subcommittee today on the Army Corps of Engineers portion of the President's Fiscal Year (FY) 1993 Economic Stimulus Program. Assisting me is Lieutenant General Arthur E. Williams, Chief of Engineers, Mr. John Elmore, Acting Director of Civil Works and Mr. Michael E. Strachn, Deputy Chief of the Civil Works Programs Division.

In testifying today, I want to emphasize at the onset that the Administration is currently formulating the President's FY 1994 Budget. Accordingly, I am not in a position to provide you with the Administration's position on funding for specific programs or activities. As soon as the President's 1994 Budget is released, I would be pleased to provide you with the Army's views.

We are gratified to know that the Army Corps of Engineers can be a part of the President's plan to guarantee a strong economic recovery through jobs investments. I emphasize the term "investments" because we are proud of a record that makes productive use of the Nation's human resources to construct physical assets which will return benefits to the Nation for years to come.

My statement covers the following topics:

> An overview and summary of the Army Corps of Engineers FY 1993 Supplemental Budget for the President,s Economic Stimulus Program;

> The program development process used for this proposal;

> Project types and outputs; and

> Job skills employed.

OVERVIEW

This request for the Civil Works Program provides for a total FY 1993 supplemental appropriation of $94 million, including $3.9 million for Construction, General (CG), 76.5 million for Operation and Maintenance, General (O&M), and $13.5 million for the Flood Control, Mississippi River and Tributaries (MR&T) appropriation. We estimate that this proposal would result in almost 3,500 new jobs being created.

PROGRAM DEVELOPMENT PROCESS

Basically, we made sure that all work is authorized, can be started in FY 1993, and meets normal budgetary criteria. Planning, design and local cooperation activities had to be essentially completed or could be completed in time to advertise for contract bid. There are no new construction starts in this proposal. Priority was given to project activities providing economic benefits for navigation, flood control, hydropower, and environmental protection. To assure availability of funds for high priority features, work such as repairs to recreation roads and recreation facilities, except those facilities related to public health and safety concerns, was not included in this proposal. We also excluded dredging for navigation, since it would not have employed a relatively large number of people for the investment dollar.

Since the O&M account is the largest portion of the proposal and it is comprised of numerous projects around the country, we had an opportunity to equitably distribute funding among the states where economically justified, previously unfunded work is ready to be started. Projects which would create the highest number of jobs were given the highest priority within each state.

PROJECT TYPES AND OUTPUTS

The proposal provides for completions of planned activities for earlier realization of long term benefits while accelerating the utilization of the Nation's labor pool. For example, the Construction, General, New Orleans to Venice, project, Louisiana, will accelerate to improve hurricane protection, contributing to earlier realization of benefits. Similarly, construction of dikes, revetments, and levees on the MR&T project will provide earlier flood protection for a significant segment of the lower Mississippi Valley.

Certain long term environmental requirements will be addressed by maintenance work on bendways on the Tennessee-Tombigbee Waterway. We have also included an item to remove hazardous material from the Gavins Point Dam, Lewis and Clark Lake project, South Dakota.

The proposed program will ultimately result in a long-term savings by improving operational efficiency with such items as automation of critical data acquisition systems. Future O&M

costs will also be reduced by cleaning subsurface drainage system relief wells, sand blasting, painting, and installation of corrosion abatement features.

Other long term benefits are characterized by improvement of project safety including repair of an access bridge, construction of a fuel tank containment structure, replacement of antiquated mechanical and electrical components, and installation or replacement of protective security fencing and guard rails.

JOB SKILLS EMPLOYED

Most of the work in the proposed program will be performed by contract with the private sector and the Small and Disadvantaged Business program will be considered in awarding contracts. Government overhead costs would be minimal since most of the planning and design work is completed. The estimate of jobs continued or created includes only direct onsite and offsite labor. The indirect employment effects have not been established.

Both light and heavy construction skills are involved including concrete forming and finishing, electrician, painting, operating engineer, stonework, carpenter, excavation, truck driver, steel fabrication, mechanical equipment installation, crane rigger, roofer, plumber, sand blaster, sheet metal fabricator, and elevator repair.

CONCLUSION

As a world leader in engineering and program management, the Corps has a reputation for competence in meeting the immediate needs of the nation. We stand ready to accomplish this very important mission. With your permission, Mr. Chairman, I will submit a list of the proposed projects for the record.

Mr. Chairman, this concludes my statement.

DEPARTMENT OF DEFENSE

ARMY CORPS OF ENGINEERS - CIVIL WORKS

Construction, General

For an additional amount for "Construction, general," $3,900,000 to remain available through September 30, 1993, of which such sums as are necessary pursuant to Public Law 99-662 shall be derived from the Inland Waterway Trust Fund, for one half of the cost of construction and rehabilitation of inland waterways projects.

Operation and Maintenance, General

For an additional amount for "Operation and maintenance, general," $76,497,000, to remain available through September 30, 1993, of which such sums as become available in the Harbor Maintenance Trust Fund, pursuant to Public Law 99-662, may be derived from that fund.

Flood Control, Mississippi River and Tributaries

For an additional amount for "Flood control, Mississippi River and tributaries," $13,525,000, to remain available through September 30, 1993.

This proposal would expedite construction of on-going high-priority water resources development projects as well as infuse needed funds for cyclic maintenance at other key projects. Such Army Corps of Engineers water projects provide flood damage reduction, inland waterway and harbor transportation, hydropower, and environmental restoration benefits to the Nation. This investment in existing projects and projects currently being constructed around the country would ensure continued high-level service and protection.

This proposal would result in increased obligations of $93.9 million in FY 1993 and would increase FY 1993 outlays by $28.2 million. An estimated total of 3,480 new jobs would be generated by this proposal in FY 1993 and FY 1994.

Mr. **Bevill.** Thank you for a fine statement. Dr. Dickey, on February the 23rd, you provided the committee with a list of the individual projects that are included in the President's proposal. If there is no objection from the members of the panel, we will place that list in the record at this point. Each member of the panel has a copy of this list. Hearing no objection, the list will be made a part of the record.

[The information follows:]

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS -- CIVIL
FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL
(Dollars In Thousands)

00:00

Appropriation Account/ Project Name and State	Federal Cost	Description of Work
CONSTRUCTION, GENERAL		
Louisiana		
NEW ORLEANS TO VENICE, LA (HURRICANE PROTECTION)	3,900	Accelerate capout construction.
Total Construction, General	**3,900**	
OPERATION AND MAINTENANCE, GENERAL		
Alabama		
TENNESSEE-TOMBIGBEE WATERWAY, AL & MS	1,200	Perform maintenance on bendways to comply with long term environmental requirements. (Restoration of fish and wildlife habitat)
Arkansas		
BEAVER LAKE, AR	282	Install solid state excitation system to reduce O&M costs on generators.
BULL SHOALS LAKE, AR	250	Retrofit air circuit breakers.
MCCLELLAN-KERR ARKANSAS RIVER NAV SYSTEM, AR & OK (SWL)	3,698	Repair slides, repair flood damages at pools 3 and 4, seal concrete.
California		
LOS ANGELES COUNTY DRAINAGE AREA, CA	990	Structural repairs to Santa Fe and Hansen Dams.
SAN DIEGO HARBOR, CA	700	Repair Zuniga Jetty.
SAN DIEGO RIVER - MISSION BAY, CA	200	Restore shoreline revetments.
SANTA ANA RIVER BASIN, CA	230	Structural repairs to Brea and Fullerton Dams.
VENTURA HARBOR, CA	600	Repair detached breakwater.
Colorado		
BEAR CREEK LAKE, CO	69	Riprap materials.
CHATFIELD LAKE, CO	402	Replace Massy draw bridge and Riprap materials.

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS -- CIVIL
FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL
(Dollars in Thousands)

00:00

Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Connecticut		
NORTHFIELD BROOK LAKE, CT	120	Remove overhanging rock from spillway.
STAMFORD HURRICANE BARRIER, CT	1,050	Repair mechanical, gate hoisting systems.
WEST THOMPSON LAKE, CT	100	Repair spillway bridge.
Delaware		
INDIAN RIVER INLET AND BAY, DE	540	Replace protective fencing adjacent to inlet.
Florida		
CENTRAL & SOUTHERN, FL	659	Repair levees and revetments on waterway. Replace timber guidewalls at Franklin and Port Mayaca L & D's.
OKEECHOBEE WATERWAY, FL	522	Structural repairs to locks and dams. Replace portions of guidewalls at Ortuna and St. Lucie Locks.
Georgia		
BRUNSWICK HARBOR, GA	600	Repair and raise dikes at Andrews disposal area. Install security Fence.
Idaho		
DWORSHAK DAM AND RESERVOIR, ID	194	Structural repairs and maintenance for dam and power house.
LUCKY PEAK LAKE, ID	74	Erosion control.

DEPARTMENT OF THE ARMY

CORPS OF ENGINEERS -- CIVIL
FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL

(Dollars in Thousands)

00:00

Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Illinois		
CARLYLE LAKE, IL	600	Dam West rehabilitation.
CHICAGO HARBOR, IL	500	Repair timber crib breakwater with rubble-mound casing.
ILLINOIS WATERWAY, IL & IN (NCD)	2,000	Repair Lockport Dike.
MISS RIVER BTWN THE OHIO AND MO RIVERS (REG WORKS), MO &	3,225	Clean relief wells at Chain of Rocks Canal, Paint Lock 27 gates, procure lift gate roller and chains.
MISS RVR BTWN MO RIVER & MINNEAPOLIS, IL & MN (LMVD PORTIO	240	Remote control of tainter gates at locks 24 and 25.
Indiana		
BURNS WATERWAY HARBOR, IN	500	Repair rubble-mound breakwater.
ILLINOIS WATERWAY, IL & IN	29	Replace lifeboats.
MICHIGAN CITY HARBOR, IN	500	Repair timber crib breakwater with rubble-mound casing.
Iowa		
MISSOURI R, SIOUX CITY, IA TO THE MOUTH, IA, NE, KS & MO	1,444	Repair bank failures and rehabilitate project building. Repair bank failur Upper Miami to Amazon
RATHBUN LAKE, IA	1,114	Repair left abutment and replace relief well.
Kansas		
EL DORADO LAKE, KS	50	Shoreline erosion repair.
FALL RIVER LAKE, KS	65	Replace roof on project office building.
MILFORD LAKE, KS	465	Riprap materials.
Kentucky		
BARKLEY DAM AND LAKE BARKLEY, KY	405	Preventative maintenance painting of various project facilities.
FISHTRAP LAKE, KY	750	Clean and paint gates.
WOLF CREEK DAM - LAKE CUMBERLAND, KY	700	Replace high voltage cable system.

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS -- CIVIL
FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL

(Dollars In Thousands)

Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Maryland		
INTRACOASTAL WATERWAY, DE RIVER TO CHESAPEAKE BAY,DE &	1,000	Repair Reedy Point North Jetty.
Massachusettes		
BARRE FALLS DAM, MA	20	Structural Repairs for steel pitting.
BIRCH HILL DAM, MA	130	Automate Piezometers.
CONANT BROOK LAKE, MA	60	Install five piezometers.
KNIGHTVILLE DAM, MA	25	Repair Indian Hollow Road Bridge.
TULLY LAKE, MA	120	Automate Piezometers.
WESTVILLE LAKE, MA	17	Repair riprap protection.
Michigan		
MANISTEE HARBOR, MI	1,426	Repair connector sections at south pier and section J revetment.
Missouri		
CLARENCE CANNON DAM AND MARK TWAIN LAKE, MO	188	Provide spare intake gate for emergencies.
STOCKTON LAKE, MO	5	Construct fuel tank containment structure.
TABLE ROCK LAKE, MO	963	Structural repairs -- supplemental closures, retrofit generator air circuit breakers.
Montana		
FT. PECK DAM AND LAKE, MT	1,076	Riprap materials.

DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS -- CIVIL
FISCAL YEAR 1993 ECONOMIC STIMULUS PROPOSAL
(Dollars in Thousands)

00:00

Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Nebraska		
SALT CREEK AND TRIBUTARIES, NE	173	Riprap materials.
New Hampshire		
FRANKLIN FALLS DAM, NH	130	Automate Piezometers
HOPKINTON-EVERETT LAKES, NH	500	Repair outlet retaining walls and slope protection
OTTER BROOK LAKE, NH	35	Install four piezometers
SURRY MOUNTAIN LAKE, NH	62	Repair spillway bridge
New Jersey		
CHEESEQUAKE CREEK, NJ	1,800	Major repairs to jetty.
New York		
RONDOUT HARBOR,NY	2,000	Repair dike.
North Carolina		
CAPE FEAR RIVER ABOVE WILMINGTON, NC	550	Repair miter lock gate.
North Dakota		
GARRISON DAM, LAKE SAKAKAWEA, ND	1,506	Paint surge tanks, transformers and switchyard equipment. Repair Penstock and Surge tank risers.
OAHE DAM-LAKE OAHE, SD & ND	1,232	Replace surge tank de-icers, paint outlet works bridge and tunnel liner. Arch stabilization. Install transformer heat exchanger.

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(Dollars in Thousands)

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Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Ohio		
LORAIN HARBOR, OH	1,000	Rehabilitate west breakwater.
Oklahoma		
BROKEN BOW LAKE, OK	150	Construct bulkhead for spillway tainter gates.
CANTON LAKE, OK	80	Replace spillway electrical system.
COPAN LAKE, OK	30	Extend tainter gate side seals and provide cathodic protection for gates.
EUFAULA LAKE, OK	465	Repair erosion tracts, flood protection for power house and transformers
FORT GIBSON LAKE, OK	95	Refurbish power house elevators.
HUGO LAKE, OK	230	Replace oxidation pond liners at Wilson Pond and Sawyer Bluff.
KAW LAKE, OK	100	Shoreline erosion repair.
KEYSTONE LAKE, OK	280	Construct bulkhead for spillway tainter gates, replace air compressors, and repair elevators
ROBERT S. KERR LOCK & DAM AND RESERVOIRS, OK	530	Replace rock dike and paint intake draft tube and transformers
TENKILLER FERRY LAKE, OK	200	Replace voltage regulator in the power plant.
WAURIKA LAKE, OK	50	Provide drainage for seepage collection system at downstream toe of embankment.
WEBBERS FALLS LOCK AND DAM, OK	75	Replace control house roof.
WISTER LAKE, OK	60	Replace the gate controls and indicator system in the gate tower.
Oregon		
BONNEVILLE LOCK AND DAM, OR	1,453	Install station service generation equipment, replace power house cooler tubes, improve fish screen operation, replace worn stoplogs.
COLUMBIA & LWR WILLAMETTE R BLW VANCOUVER, WA & PORTLA	482	Estuary pile dikes
JOHN DAY LOCK AND DAM, OR	1,725	Clean out foundation drain holes. Replace navigation lock guidewalls. and replace powerhouse heatpumps.
MCNARY LOCK AND DAM, OR	761	Replace transformer bushings, install solid state exciters and repair rigging loft restroom.

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Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Pennsylvania		
PROMPTON LAKE, PA	215	Replace guard rail at top of dam.
YORK INDIAN ROCK DAM, PA	3,000	Repair deteriorated concrete at dam.
South Carolina		
ATLANTIC INTRACOASTAL WATERWAY (CHARLESTON DISTRICT), S	1,880	Construct dikes and install spillways from Georgetown to Port Royal.
J. STROM THURMOND LAKE, GA & SC	70	Replace and paint tainter gate seals at power house.
South Dakota		
BIG BEND DAM - LAKE SHARPE, SD	510	Provide sediment retention control structures.
FT. RANDALL DAM - LAKE FRANCIS CASE, SD	1,819	Install hydropower packing material and recondition power house roof and flood control structures.
GAVINS POINT DAM - LEWIS AND CLARK LAKE, NE & SD	567	Repair bank failure at Burbach, Blumfield and Yankton and dispose of · hazardous material,
Tennessee		
CENTER HILL LAKE, TN	560	Replace air circuit breakers and rest room repairs.
CHEATHAM LOCK AND DAM, TN	875	Replace oil circuit breakers and rustproof spillway gate.
CORDELL HULL DAM AND RESERVOIR, TN	1,075	Repair discharge liner, repair damsite restroom, and preventative maintenance painting.
DALE HOLLOW LAKE, TN	1,110	Power plant repairs, provide power plant emergency exit and paint switch yard.
OLD HICKORY LOCK AND DAM, TN	665	Replace riprap and repair embankment.
TENNESSEE RIVER, TN	1,125	Preventative maintenance painting of locks.

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Appropriation Account/ Project Name and State	Federal Cost	Description of Work
Texas		
DENISON DAM - LAKE TEXOMA, TX	30	Replace the security fencing around the power house.
GEORGETOWN LAKE, TX	630	Shoreline erosion repairs.
LEWISVILLE LAKE, TX	225	Install motorized operators at four low flow gates, and perform utility repairs.
MATAGORDA SHIP CHANNEL, TX	1,140	Rehabilitate North and South Jetties.
O.C. FISHER LAKE, TX	1,500	Replace and repair riprap severe benching on upstream side of dam.
RAY ROBERTS LAKE, TX	1,205	Shoreline erosion repairs.
SOMERVILLE LAKE, TX	690	Shoreline erosion repairs.
Vermont		
NORTH SPRINGFIELD LAKE, VT	20	Riprap protection at Stoughton Dam
TOWNSHEND LAKE, VT	235	Repair outlet works
UNION VILLAGE DAM, VT	20	Repair slope at left abutment
Washington		
CHIEF JOSEPH DAM, WA	1,250	Repair and rewind transformer and replace transformer bushings.
EDIZ HOOK, WA	725	Repair revetment at spit.
ICE HARBOR LOCK AND DAM, WA	78	Preventative maintenance of various structural features.
LITTLE GOOSE LOCK AND DAM, WA	92	Repair electrical grounding, install energy lighting, and general cleanup of dam area.
LOWER GRANITE LOCK AND DAM, WA	23	Pave Clarkston yard and install concrete pad and fencing for equipment
LOWER MONUMENTAL LOCK AND DAM, WA	98	Routine repairs and preventative maintenance at various structural facilities.
MT. ST. HELENS, WA	180	Install guardrail on top of sediment control structure.
THE DALLES LOCK AND DAM, WA	1,341	Replace power house heat pump and governor oil pumps, and repair and paint spillway crane.

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Appropriation Account/ Project Name and State	Federal Cost	Description of Work
West Virginia		
OHIO RIVER LOCKS AND DAMS, KY, IL, IN, OH, PA & WV	3,050	Construct mooring cells at Uniontown L&D, riprap dam at Cannalton and at L&D 52, complete cheveron dike at Smithland L&D and purchase hydraulic units for L&D 53.
SUTTON LAKE, WV	750	Clean and paint gates.
Wisconsin		
MISS RIVER BTWN MISSOURI RIVER AND MINNEAPOLIS, IL, MN & WI	3,893	Repair L&D 6 foundation, replace dam bridge decking at L&D 21 and 22.
Total – Operation and Maintenance, General	**76,497**	

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Appropriation Account/ Project Name and State	Federal Cost	Description of Work
FLOOD CONTROL, MISSISSIPPI RIVER AND TRIBUTARIES		
CONSTRUCTION -- MR&T		
Arkansas		
CHANNEL IMPROVEMENT, AR, IL, KY, LA, MS, MO & TN	9,270	Mats, Dikes and Revetments
Mississippi		
MISSISSIPPI RIVER LEVEES, AR, IL, KY, LA, MS, MO & TN	1,700	General Levee Construction And Earthwork
Sub-total -- Construction -- MR&T	10,970	
MAINTENANCE -- MR&T		
Louisiana		
ATCHAFALAYA BASIN, LA	250	Culvert Replacement,
Arkansas		
MISSISSIPPI RIVER LEVEES, AR, IL, KY, LA, MS, MO & TN	915	Repair Culverts And Levees
WHITE RIVER BACKWATER, AR	1,390	Culverts, Slide And Scour Repairs
Sub-total -- Maintenance -- Maintenance	2,555	

Mr. BEVILL. What criteria were used to select the projects included in the proposal? You have mentioned the fact that the work had to be labor intensive and I can appreciate that, because jobs is what this proposal is all about, as we know. What other criteria did you use?

Dr. DICKEY. Mr. Chairman, we followed a multi-step process. We first asked the field for the kinds of projects that could be undertaken quickly, and that would achieve their outlays no later than fiscal year 1995. We then took that universe and scaled it back to that list of projects where the outlays could be accomplished in 1993 and 1994. So everything we have in our proposal expects the outlays to be in place by the end of fiscal year 1994, with of course the money obligated before the end of fiscal year 1993.

We then took that list of the candidate projects, again with the early payouts, and went through those projects and focused on those which produce the priority benefits that I mentioned to you: navigation, the flood control, the environmental protection and hydropower. Finally, from that universe, we looked at those projects which create the largest job opportunities; as I mentioned, the dredging was then dropped out. As a result of that process, we produced the list that has been provided to you.

Mr. BEVILL. Will you have the freedom to deviate from the list as you begin to implement the President's program?

Dr. DICKEY. Yes. We have freedom in the sense we recognize that our program is indeed dynamic; that things can change. We, however, will be monitoring performance and we will be using the same criteria if there should be modifications, to select whatever substitute projects there would be.

Mr. BEVILL. Well, we are talking about getting people back to work, and there is nothing new about proposals to create jobs. You know, we had a jobs bill in 1983. If you want to go further back, President Roosevelt had a jobs bill to put people to work who were starving. So there is nothing new about jobs bills, is there?

Dr. DICKEY. No, sir.

Mr. BEVILL. This takes place when it is necessary. You indicated in your statement that the funds requested would create about 3,480 new jobs.

Are those jobs in the public or private sector or both?

Dr. DICKEY. For the most part, they are in the private sector. There are some jobs associated with government work where, for example, materials are placed by government employees, but those are typically seasonal or temporary employees that will again have jobs that they wouldn't otherwise have.

Mr. BEVILL. All right.

The Chair now recognizes Mr. Gallo.

Mr. GALLO. Thank you, Mr. Chairman.

Dr. Dickey, thank you for appearing here. I have, throughout my political career, always had a great deal of admiration for the Corps and what the Corps is able to do. And I think this committee has had that same kind of feeling of your ability to tackle the real hard problems and about the stick-to-itiveness of the Corps itself.

My first question is, how did the Corps develop the criteria for selecting the projects contained in this emergency stimulus package?

Dr. Dickey. We looked at early payout in terms of expenditure of the funds, not only obligation, but actually the payment of the funds through fiscal year 1994, and then we focused on the priority criteria of hydropower, flood control, navigation, and environmental protection.

Mr. Gallo. And you looked at the emergency aspect of this?

Dr. Dickey. Yes.

Mr. Gallo. I am looking at the list, and I don't want to minimize the projects, but these are the kinds of questions that we end up getting. In West Virginia, there is a project at Sutton Lake, where you propose to use $750,000 to clean and paint the gates. Is that considered an emergency?

Dr. Dickey. The emergency aspect of the program is in terms of the aggregate economic stimulus effect, and that stimulus consists of individual items, none of which, frankly, are viewed as emergency in that sense of the word. But rather it is the macro-economic effect that we are after here, the sum of the total, not the individual pieces.

Mr. Gallo. So, many of these projects would not really be high on the priority scale, and certainly not be classified as an emergency within the Corps, except when addressing the issue of a stimulation to the private sector?

Dr. Dickey. There are two aspects: one, the job creation aspect; the other is that indeed they do represent improvements, work that would be done at some time by the Corps.

Mr. Gallo. Wouldn't you agree, though, that these projects would be something that would be addressed in the regular budget process? This work is part of a maintenance program.

Dr. Dickey. To be sure. But again the aggregate proposal is focused on the issue of timing and the issue of aggregate stimulus.

Mr. Gallo. I am looking at one project in the State of New Jersey, Cheesequake Creek, which has a marina. It was funded in 1991, and, again, I am just questioning the priority list used, because I know that there are other areas that have been listed as priorities. The funds provided in 1991 were the first application from what I gather. And it was then tagged at $50,000, and it has now ballooned to $1.8 million. Can you explain what makes this such a priority at this particular juncture, not that I am not anxious to have a New Jersey project go forward. It would be nice.

Dr. Dickey. Well, again, I think that it is a repair that needs to be done, and it can be done quickly. Obviously, the Corps has studied this; it has the design package ready to go. The project obviously needs work, $1.8 million worth, and it can be undertaken quickly.

Mr. Gallo. You know, I think if the Corps really wanted to create some jobs right now, it would help end the delay in the dredging projects in Port Elizabeth. I am not sure exactly what that delay has cost, but I can tell you, it is somewhere in the neighborhood of 180,000 jobs which could be affected by this. We are talking about $20 billion in annual economic benefit. If the Corps wants to set a priority, I can see no better priority, and this is not just a New Jersey matter, it affects the tri-state area. The port is so important to the movement of goods and the economy of the tri-state area. It is my understanding that this issue is before you at this time, and every day that goes by, we lose jobs and we lose a stimulus that will come from the private sector rather than the government sector. I mean, if there is any priority area that is it. I would say that you should drop everything and get it cleared up. Where do we stand on that?

Dr. DICKEY. I am not familiar with that project.

Mr. ELMORE. Congressman, as you know, with some of the permits that had been issued by the Corps of Engineers, there has been a subsequent inquiry by EPA on the discovery of dioxine. The Corps is now reviewing that. We understand the need to get on with that project. But with respect to the concerns that have been raised over dioxin, we felt that it was necessary to review that issue. But I assure you that we are moving quickly to try to resolve that issue.

Mr. GALLO. I didn't mean that you were the only obstacle. You are, though, a significant player in the review of this permit. I know your cooperation with the port in the permit process was very good and we thought that that was all done and taken care of. We now find that the permit is, instead of 500, what was it, 500,000 cubic yards?

Dr. DICKEY. Cubic yards, yes.

Mr. GALLO. Now, it has been reduced to 250,000 cubic yards, which both the Port Authority and officials in New Jersey and New York say it is not adequate to deepen the harbor and keep the economic stream going. So I would just hope that you can do what you can to expedite your portion of it, and then we have to have our fights, I guess, elsewhere.

Mr. ELMORE. Absolutely, sir.

Mr. GALLO. You are talking about creating 3,500 jobs. Certainly that ratio looks a lot better. If my math is right, we are somewhere in the neighborhood of $27,000 a job, and that is certainly a lot better than $221,000 a job.

There are other people that want to speak and we are running a little late. I appreciate, Doctor, your responses, and just implore the Corps to move as quickly as possible on something that could be a significant economic stimulus for the private sector. Thank you.

Mr. BEVILL. The Chair recognizes Mr. Fazio.

Mr. FAZIO. Thank you, Mr. Chairman. Dr. Dickey, General Williams, gentlemen, good to see you. It is always nice to see another star every time I see you, General. It is always good to see you progressing.

Mr. MYERS. He is running out of room up there.

Mr. FAZIO. He may have to have an extension on those shoulder pads.

I just wanted to follow up a little bit on some of Mr. Gallo's questioning, but let me begin by saying that I am very pleased that the Corps has a component in this package, and under the direction of our chairman, Mr. Natcher, and our subcommittee chairman, Mr. Bevill, we are going to support this package and leave it unamended. We are not going to mess around with its details. But I appreciate your statements about the dynamic nature of it, because we always like to see the Corps exhibit its flexibility, and perhaps make some mid-course corrections if you think that is appropriate as we move forward with this plan.

My first question relates to the issue of dredging projects and their contributions to job creation. Could you give us some feel for the jobs-per-dollar ratio for dredging projects versus the kinds of projects you included in your proposal, just to get a feel for how much more job intensive, say, repairing revetments might be versus dredging projects that might have more long-term economic benefit.

Dr. DICKEY. Let me ask Mr. Elmore, our Chief of Operations, Construction and Readiness.

Mr. ELMORE. If I could expand even a little broader than that, Congressman; first of all, since navigation is such a high priority for the Corps of Engineers, as we started off the budget year, fiscal year 1993 in this case, we felt that we had all of the essential dredging work programmed. Second, looking at the range of skills, the dredging business is a highly specialized area. In other words, you don't cover nearly as broad a spectrum of employment. Third, dredging it is plant intensive. Fourth, because of the high priority outputs of commercial navigation, if we have critical dredging needs that develop during the course of the year, we would reprogram money to those critical dredging needs out of the existing 1993 program.

Mr. FAZIO. Have you plans to do that?

Mr. ELMORE. There have been reprogramming actions because some dredging that we thought was going to be needed and had programmed two years ago was not needed. There were other jobs, of course, in which there was a need where we had not programmed it, so yes, reprogramming actions have already occurred, and sir, I guarantee you that if other critical dredging needs arise, there will be other reprogramming actions to address those. So in this case, we look at that other universe of projects having a broad range of skills and put our money in those kinds of jobs as opposed to the dredging jobs.

Mr. FAZIO. Well, could you give me any more detail, though, on the job creation to dollar aspect? I mean, you did indicate in your opening remarks that there are not enough jobs created by dredging projects, and I know you meant direct jobs, not indirect job creation. I am still interested in getting whatever documentation you may have. I think that is important, since it became such an important criteria for you. I think we need to have that information.

Dr. DICKEY. Estimating the exact number of jobs to be created is difficult at best, for any type of project; however, for comparative purposes, we estimate that the type of work we select for this proposal would produce 60 percent more jobs for the amount of funds expended than dredging projects would produce.

Mr. FAZIO. Let me move on to another point, and I don't mean to be entirely parochial, but after all, I do represent a state that the Federal Reserve Board says is the only region of the country that isn't in recovery at the moment. We have a continuing problem in California with an unemployment rate that is higher than the national average, and that will probably continue that way well on into the 1994 time frame. And yet, this proposal purports to spend, I believe, not quite 3 percent of the total amount in a state that represents 11 percent of the population.

Could you tell me that, in fact, these five projects that you have identified in Southern California represent the complete list of eligible projects in the State of California that could contribute to this job stimulus package?

Mr. ELMORE. Congressman, I would say that no, they are not the complete extent of needs in California, but in a lot of the cases, some of the work that we would identify there would require planning and design work that has not yet been done. So what we looked for were those things that could be completed before fiscal year 1995. There are numerous things that need to be done in California that could not be completed in that time because the design work was not complete, sir.

Mr. FAZIO. So, these are the only projects that you could get started in the 90-day time frame? Is that what you are saying? There is nothing else out there that could be done because it is too far down the road for this supplemental?

Mr. ELMORE. To be precise, I would have to say these were the only projects that could be done in that time frame and still meet high priority outputs of commercial navigations, flood control, hydropower and environmental protection.

Mr. FAZIO. We may want to present you with some additional specific projects that you could apply that criteria to. We would be very interested to see whether that would affect the dynamics of the package and the opportunity that you have to readjust your priorities.

The one additional thing I would mention for the record, just briefly, is that we do have a very serious shortfall of some $600,000 in funds to do the EIR/EIS on the riffle restoration project and the fish screen at the Glenn-Colusa irrigation district. I am not going to take the time of the committee today to go into this, but I wish you would look at that and see whether it can be worked into your program. The reason I say so is that it is a very important project in terms of unemployment in my district. Unemployment is 27 percent in the case of Colusa County and 22 percent in the case of Glen County, and those counties are totally dependent on agricultural production, which has been reduced greatly because of the Endangered Species Act problems, and the drought which, thank God, was officially broken this week. Without the work that needs be done on this project to fix these impacts, those communities are going to continue to have a high level of unemployment. And since this is an effort to help with that problem, I think it is appropriate to be looked at, given your authority to reprogram.

General WILLIAMS. Mr. Fazio, I do have some background on that particular project, so I will take that as an action and get back to you shortly as to where we stand on that one.

Mr. FAZIO. I thank you very much.

Thank you, Mr. Chairman.

Mr. BEVILL. The Chair recognizes Mr. Myers.

Mr. MYERS. Mr. Chairman, thank you. I will yield to the other members of the Committe at this time.

Mr. BEVILL. The Chair recognizes Mr. Chapman.

Mr. CHAPMAN. Mr. Chairman, thank you very much. I just want to make one comment about the dynamics of your program as discussed by my colleague, Mr. Fazio. We are interested also in the dynamics so long as those dynamics don't spill inadvertently and negatively on Florida, Arizona, or Texas. And I am sure some of my colleagues on the other side might equally be interested in those dynamics.

Mr. FAZIO. We don't want to impact Cheesequake Creek. We don't want to do that.

Mr. CHAPMAN. How did you develop that estimate of jobs to be created as a result of the work that you have identified here?

Dr. DICKEY. Well, as is in so many cases with the Corps, we asked the Corps field offices, who know the design status and the kinds of contracts that are going to be let, to give us those numbers.

Mr. CHAPMAN. Were the job estimates basically assembled project by project?

Dr. DICKEY. Exactly, yes.

Mr. CHAPMAN. And that is probably the most direct way of doing it compared with any of the other agencies we have had testimony from.

Dr. DICKEY. We do have the experience of knowing what the projects are and great experience obviously in doing them.

Mr. CHAPMAN. In additon to the criteria of job intensity, you looked at those projects for which the funds can be put to use in a short time frame?

Dr. DICKEY. And also priority: the commercial navigation, hydropower, flood control, environmental protection.

Mr. CHAPMAN. OK. Mr. Chairman, it appears to me that the Corps has done a good job in assembling this package, and I think they have made a good presentation of the rationale for it. Even though none of these projects are in the First District of Texas, we will, in spite of that flaw, support it overwhelmingly and depend on the dynamics that Mr. Fazio spoke of, perhaps, to cure that somewhere along the way. Or we will at least cross our fingers and hope.

Mr. Chairman, thank you.

Mr. BEVILL. The Chair recognizes Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

Dr. Dickey, gentlemen, welcome to the subcommittee again. I am fairly pleasantly surprised, I guess, at the alacrity with which the Corps has responded, the great speed. It proves you can do something quickly. I wish I could get you to do the Section 202 flood control projects with the same kind of speed.

Dr. DICKEY. I appreciate that.

Mr. ROGERS. Perhaps we can move more quickly. Now, as I understand it, you are not in any fashion saying that any of these particular items, in and of itself, is an emergency requiring immediate action. On the contrary, the emergency that you are responding to is the need for job creation out there, the need to spur the economy. This is purely an economic stimulus emergency.

Dr. DICKEY. Yes. That is the focus of the stimulus package and we recognize that we get the bonus benefit, if you will, of improvements in the productivity and condition of the infrastructure which we have.

Mr. ROGERS. Otherwise, these projects would, perhaps, be in the regular fiscal year 1994 budget request, even if there.

Dr. DICKEY. Exactly.

Mr. ROGERS. Some, perhaps, wouldn't even be in a regular request, would they?

Dr. DICKEY. That may be the case.

Mr. ROGERS. Now, you indicate that you can obligate all of these funds by the end of fiscal year 1993?

Dr. DICKEY. Yes, sir.

Mr. ROGERS. And when do the outlays take place?

Dr. DICKEY. About $28 million in fiscal year 1993 and the balance in fiscal year 1994.

Mr. ROGERS. All the rest in 1994?

Dr. DICKEY. Yes.

Mr. ROGERS. Now, $76 million of the request is O&M correct?

Dr. DICKEY. Yes.

Mr. ROGERS. And of the balance, $13.5 million is for the Mississippi River and tributaries flood control project?

Dr. DICKEY. Right. And of course some of that has the character of O&M work.

Mr. ROGERS. I see. And then the rest, $3.9 million is for accelerated construction of the hurricane project in Louisiana; is that correct?

Dr. DICKEY. Yes.

Mr. ROGERS. It is the one project. Now, is that what we would call under normal circumstances an emergency project, the Louisiana project?

Dr. DICKEY. No, it is not characterized as that. It is a project under construction and we are able to accelerate it.

Mr. ROGERS. Pure job creation, all of these?

Dr. DICKEY. Right.

Mr. ROGERS. Well, Mr. Chairman, I have no further questions. The Corps, I think, has put together a credible list of projects that need to be done at some time or the other. No doubt they will create jobs along the way. All of these are contract bid projects; are they not?

Dr. DICKEY. I believe almost exclusively, is that right, General Williams?

General WILLIAMS. The vast majority of them will go to the private sector and they will be bid through the competitive bid process unless you go to an 8(a) type of contract, where you negotiate with the 8(a) contractor.

Mr. ROGERS. Now, what dollar volume of work will not be subject to the contract bid process?

General WILLIAMS. I don't believe that we have determined the exact number. It will be a relatively small number. Some of the mat laying, for example, that we do along the Mississippi River is under Corps supervision, so we hire people from the local economy and do the work under the Corps' supervision, versus a contractor.

Mr. ROGERS. I see. Well, will there be any permanent government jobs created?

General WILLIAMS. No, sir, there will not be permanent jobs created in the government.

Mr. ROGERS. All private sector?

General WILLIAMS. Yes, sir.

Mr. ROGERS. Do you have the capability in-house to supervise projects with no additional personnel.

Mr. DICKEY. Yes.

Mr. ROGERS. Thank you very much, Mr. Chairman.

Mr. BEVILL. The Chair recognizes Mr. Peterson.

Mr. PETERSON. Thank you, Mr. Chairman. Welcome aboard to our Corps friends. Obviously, I have been very interested in all the Corps projects, with my district running along a great portion of the Gulf of Mexico, with the intracoastal waterways and port facilities, et cetera. And I am frankly a little surprised that we are apparently in such great shape down there maintenance-wise since you haven't identified any work at all that is required in my area. Maybe some of that dynamics that has been spoken to may filter over, which brings me really to the question. These projects, I fear, may have been selected on something rather than merit, that they were sitting on the shelf and ready to go and would not be justified under an ordinary budget process. Can you address that? Is this allegation without foundation, or would I see these projects come to us in the ordinary process with the 1994 request?

Dr. DICKEY. Let me just say that these are first of all productive and necessary investments in the sense that the Corps has anticipated them, has completed the design, and as you know, is ready to proceed with them. They are in some sense lower priority than what was in the 1993 budget. They didn't get funded; They are awaiting funding. So this is an opportunity to do those projects sooner since they are available and are productive and necessary. We don't have enough money to do everything, as we well know, so this is an opportunity to do some of them now, and yet they were not of the priority that got them in the 1993 budget.

Mr. PETERSON. I understand that. I am concerned, though, that you are working a little harder to make work as opposed to proposing some of the major projects that may be focused just on one region. You know, you did pretty good. You have got just about every state in the union plugged in here. I would suggest you may have been better off had we looked at these larger projects that are just sitting there, that we aren't able to really come to grips with, and put money in them instead of sprinkling it all over. Is there a philosophy here that is false?

Dr. DICKEY. Let me address that. In terms of our construction projects, the ones that we have underway, we are very much committed, particularly in this era of cost sharing, to supplying the funds in a timely way. So we fund those on efficient schedules, commensurate with the sponsor's ability to deliver their share. And we are working terribly hard to achieve the schedules that we have laid out to this committee in terms of our construction. So our ability, frankly, to accelerate an ongoing construction project is really limited because we are putting so much priority into those already.

With regard to new projects, because you do have certain administrative requirements to get them underway, it is hard to achieve the kind of outlay targets we have established here. I would also say that they generally involve outyear commitments beyond fiscal year 1994. I think it is appropriate to say that there is no outyear commitment associated with the work that we are proposing here.

There is a difference there.

Mr. PETERSON. Well, on that part I commend you, because obviously in a stimulus package we don't want to be obligated for the next ten years on a project.

Dr. DICKEY. Yes.

Mr. PETERSON. Then go back and tell me, how difficult was it to get this list? How big a pot was there? How many projects and how many dollars were sitting out there that you had to crunch in order to come up with just this list? Was this an easy task, or was this something that you really had everybody working over, trying to break the code on which of these projects are of the greatest priority, which will produce the biggest bang for the buck, how many jobs can be created, and so on?

Was it routine? I can conceivably see it as being almost routine here.

Dr. DICKEY. Well, let me just say that, as I mentioned, our original criteria that went out to the field asking them what they could do resulted in the identification of over $500 million worth of work. That included, though, the initial criteria of outlays through fiscal year 1995.

We subsequently scaled that back to achievement of outlays by the end of fiscal year 1994. That resulted in a very large share of the $500 million coming out to achieve outlay constraints.

Maybe someone else could address that in some detail.

Mr. ELMORE. I would like to say in terms of the importance of this package, we do, as a matter of fact, have a category of work called deferred maintenance. We can't always fund all of the work that makes sense, provides high priority outputs, provides greater efficiency and provides greater safety; we can't always fit that into our ceilings.

I would like to emphasize that from my perspective, and I am responsive to the Chief of Engineers, and the Secretary, for the operation and maintenance program, this is all needed work. It all has high priority outputs, and it is important that we do it.

Mr. PETERSON. Was anything involved in the selection process based on one district's ability to do more than another, by virtue of their own capacity?

General WILLIAMS. No. Mr. Congressman, I don't believe that that was the case at all. We gave, as Dr. Dickey stated, the field the unconstrained responsibility to come back in and tell us what they could do under the criteria that we had established.

In response to an earlier question you had about bigger projects, most of those types of bigger projects probably do not have all the design and the planning and the environmental documentation completed and the necessary permits that could be executed in the time that we were talking about to proceed with the project.

So that probably also had an impact in regard to the types of projects that were identified by each of our districts. But when the information was assembled at our headquarters, our entire staff, to include my own review, gave a thorough scrub of what was being submitted to make sure that it fit the criteria that we established.

Mr. Peterson. OK. Did you make a specific effort to get as many States involved in this list as possible?

General Williams. No, sir, we did not have that as a principal criteria; although after the other criteria were applied, we did seek to equitably distribute funding among States. We did not go into this trying to figure anything other than projects that would meet previously stated criteria and to maximize job opportunities.

Mr. Peterson. OK. I have taken my time. I support this. I just wanted to get down to some of the background. I think it needs to be said, too, that you are creating 3,500 jobs here and that there is an offset for unemployment benefits and all the other programs that we are going to be paying out.

So by this, we are doing something constructive. When it is all done, there is going to be rip/rap placed and there are going to be some other projects done where we can see the benefits. In addition, we are taking these people off of other Government programs during this period of time, which is an incredible cost that nobody is talking about. But I think that has to be addressed from the standpoint of the stimulus and, ultimately, the problems with the economy today.

So thank you very much, Mr. Chairman.

Mr. Bevill. The Chair recognizes Mr. Pastor.

Mr. Pastor. Thank you, Mr. Chairman.

Good afternoon and welcome.

Environment, hydropower, navigation; with the current situation in Arizona, I think we will even meet the navigation part of your criteria.

General Williams. We are watching Painted Dam Rock very intensely.

Mr. Pastor. I know we are. There are people across the river that are getting in their boats. It is quite a situation that we have down there. I don't want to be parochial, but I would like to have an informal conversation with you before Mr. Fazio does, so let me know when he is coming in and give me 15 minutes before he shows up.

We will be in contact with you.

I agree with your program, and it is very important. I always had a good relationship with the Corps of Engineers when I was a supervisor in Arizona and we did very good things there; especially Indian Bend Wash which I think is a great project. Hopefully, we can do more of that.

But my concern is that the unemployment rate, and underemployment, is very high in the minority communities. If you look at the minority communities, you will see that underemployment and unemployment is higher, maybe two or three times higher than average. Do you have a projected target of how many of these projects are going to be 8(a), and also what projects are going to have affirmative action tied into them?

General Williams. For this particular list that we have submitted to you, we have not identified any particular goal for any category, whether it be large, small, small disadvantaged and so forth. We will provide the necessary guidance and recommendations to each of the districts who do the contracting out to assure compliance with the policies that we have. The Corps has always done very well in regards to the percentage of our contracts and dollars that we provide for small and small disadvantaged business, so we will use the same ground rules and leave it up to the district to decide which projects are more appropriately designed for 8(a), or small business.

Mr. Pastor. Well, I would encourage you to do everything you can to maximize it, because this is a program to stimulate the economy and provide jobs, and if we get into the minority communities, you will achieve success many times greater than what your goal may be. So I would just encourage you to do that, and just let me know when Mr. Fazio calls so I can be there 15 minutes before him. Thank you.

Mr. Bevill. The Chair recognizes Mrs. Meek.

Mrs. Meek. Thank you, Mr. Chairman. Thank you very much. I have been very impressed with the work of the Corps. I witnessed how quickly they react and how impressively they react, particularly to emergencies, as happened in my district recently.

I have some questions regarding the priorities which Dr. Dickey and General Williams have described here. Who sets those priorities, and when were they set?

Dr. Dickey. These priorities are the ones that govern our normal budget process, and they have been, frankly, in place for many years.

Mrs. Meek. Well, doesn't that in some way restrict your work? That is, if you wanted to do something environmental, wouldn't these priorities restrict you? You did mention the environment, but if there were things outside of those parameters that would still generate very good jobs, how would you manage that, Doctor?

Dr. Dickey. It is true that the priorities do exclude certain kinds of projects. And, frankly, we were able to identify a universe of projects which respond to those priorities that I outlined and to the total amount which was made available to us.

Mrs. Meek. Well, if I may go a little bit further, I hope you don't just keep cloning the Corps so that it will keep looking the same and doing the same things year in and year out; that you will take—grasp, just grasp the metal and change those priorities in such a way as to still generate jobs and still meet the needs economically that will need to be met. I have an interest in making sure that the Corps does that.

Also, I have the same interest that my colleague, Representative Pastor, has, and that is I would like to see more minorities in the Corps itself. I think that you are decentralizing so that the district engineer clearly has a functional kind of autonomy in how aggressively your objectives are pursued. I am a little concerned about the minority contractors and their subcontractors. Even though the Corps itself has this as one of its main objectives, I am not sure the message is getting to Garcia when I look at the people who are working on Corps jobs. I asked a lot of questions. I wanted to know if these jobs were professionally exempt in terms of the kind of skills people need to work for the Corps. I can see they are highly skilled jobs, many of them are.

But I am also concerned as to how much they are working toward the overall goal of the Corps in terms of giving everyone a chance, and not even worrying so much about the 8(a), because that is a set-aside, I know what that is all about. I know how those things happen.

But when I look at the corps, it just looks lily-white to me, and I am concerned about some other colors getting in and I need to ask those kinds of questions.

I also am concerned that the Corps look aggressively at South Florida. Isn't there some way we can generate some help for that area? If there is any one who has that ability, it is the Corps, and I think you are our last vestige of hope to really put those communities back to work down there, and I would like to appeal to you. And being the last little button on the shirt, I am not on your list, but sooner or later, I will be on here, all right?

Thank you.

General WILLIAMS. I would like to respond, if I might, Mrs. Meek. I take your charge very seriously, and it is something that internally in the Corps we look at. We are quite sensitized to it. I take your comments in regards to both people that work for the Corps of Engineers as government employees, in addition to the contractor employees, very seriously.

Mrs. MEEK. Thank you.

Mr. BEVILL. The Chair recognizes Mr. Myers.

Mr. MYERS. Well, thank you, Mr. Chairman. My colleagues, I apologize for having to leave and go to another meeting and delaying you here. Dr. Dickey I was looking through the list of projects, and I realize that selecting them is a difficult job. But going through the list I see you have some dandies here. At least as I see them. How many of these projects were in the request that you made to OMB for the 1994 appropriations bill?

Dr. DICKEY. I don't know offhand, Mr. Myers.

General WILLIAMS. I don't know the answer to that, Mr. Myers. We are in the process of putting in the 1994 budget.

Mr. MYERS. Could you provide for the record then how many?

Is the record going to be open for this hearing?

Mr. BEVILL. The record will be kept open until tomorrow.

Mr. MYERS. When you do a railroad job, I guess you have to keep the train going. Well, if it is possible, I would like to know some time just how many of these were included as priorities for the 1994 budget. I realize going through the list, that some of them were not included in the 1993 budget for various reasons, so I would like to know. There are some things here I never heard of before.

Mr. BEVILL. You can get that information to Mr. Myers.

Dr. DICKEY. We will do what we can.

Mr. MYERS. If you can't provide it for the record by tomorrow, please provide it to me as soon as you can.

Dr. DICKEY. We understand the time constraint here.

[CLERK'S NOTE.—The Corps of Engineers has advised the Committee that approximately 25 percent of the operation and maintenance projects contained in the President's proposal were included in the Corps of Engeneers FY 1994 budget request to the Office of Management and Budget.]

Mr. MYERS. It appears that you are doing a lot of painting, that is going to be good for the painting industry, anyway. What in the world—is a piezometer? I will say for 22 years I never knew what a piezometer was.

Dr. DICKEY. They generally measure water pressure, but let me ask an engineer.

Mr. MYERS. How come we never had this before the committee before, a request to buy a piezometer. We have a lot of structures around the country. Why do we all of a sudden realize we need piezometers?

Dr. DICKEY. We have indeed bought a lot of them, sir, and the work here is, as I recall, to automate them, so they are essentially labor-saving investments we are making here.

Mr. MYERS. Automating to create jobs—that is a dichotomy in itself, isn't it? That is government work for you. Highly labor-intensive automation. OK.

Mr. ELMORE. Mr. Congressman, this committee through its graciousness has bought a lot of piezometers over the years, because most dams have numerous piezometers in them, but what they really do is measure internal pressures within the foundation and within the structure.

Over time those piezometers lose their effectiveness and we have to replace them. They are critical instrumentations used to judge the integrity of the structure. They help us understand whether the dam is stable and whether we can meet the factors of safety.

Mr. MYERS. How many piezometers do you have in a dam?

Mr. ELMORE. I would tell you that there are dams in this country that this committee has been gracious enough to build for the taxpayers that have hundreds of piezometers in them.

Mr. MYERS. It looks like they cost about $12,500 a piece, because to install five of them costs $60,000. I would like to see one some time.

Mr. ELMORE. I will make sure that you do, congressman.

Mr. MYERS. Is it larger than a bread box?

Mr. ELMORE. Well, there are different types. In the old days, they were simply a water column. We just measured the water column, literally. But now there are electronic devices, and I will assure you, Mr. Congressman, I will bring you a set of those so that you will know what they are.

Mr. MYERS. I wouldn't want you to hire a truck to get it here.

Mr. ELMORE. No, sir.

Mr. MYERS. Do you need on 18-wheeler to bring it in.

Mr. ELMORE. No, they are not that large, sir.

Mr. MYERS. In South Dakota at Gavin's Point Dam, Lewis and Clark Lake, you propose $567,000 to repair bank failure at Burbach. What is that? It is on page 7.

Mr. ELMORE. We have a bank failure just immediately downstream, a slide in the channel. That work would be the repair of that slide in the channel. Now, the disposal of hazardous material that is shown there is really, Mr. Congressman, just materials that we have stored on-site, containerized HTW materials that have outlived their shelf life and now we have to get them packaged up and move off-site.

Mr. MYERS. OK. That is below a dam then?

Mr. ELMORE. Yes, sir.

Mr. MYERS. I guess the piezometer didn't work right. Maybe you got the piezometer in the wrong spot.

Boy, I am smart. You know, yesterday I didn't know what one was, now I am going to get to see one.

Mr. FAZIO. I thought you were fairly familiar with bank failures.

Mr. MYERS. We don't have those in Indiana. We don't have those kinds of things. Coming from California, I never thought you would bring that up.

Mr. FAZIO. Those were S&Ls.

Mr. MYERS. Well, you people want to put banks and S&Ls all in the same category. "You people." I sound like Ross Perot, don't I?

Well, in your testimony a moment ago I heard you discuss that a number of the projects have to go to contract. I take it then that all the preliminary work is done on all of these and they are ready to go; is that right? All of the engineering and all of the design is complete and they are already to be let?

Dr. DICKEY. Yes.

Mr. MYERS. Last year this Committee provided $4.8 million for the West Columbus, Ohio, flood control project and you have seen fit not to start it. How come it wasn't on this list? It is already to go, because we put the money in for it last year, and now you say you can't start it. Why wasn't it included?

Dr. DICKEY. I am very familiar with that project, and I do know that that project is a very complicated planning problem, and indeed, there are many problems necessary to be solved before that project can get underway.

Mr. MYERS. In your judgment, how soon, assuming this supplemental goes through, and I presume that the skids have been greased, could these projects get started? I didn't hear that discussion here, but maybe you have already mentioned it. What would be typical—let's just grab one of them here, Gavin's Point since I mentioned it. What would be the normal procedure for Gavin's Point? What would be the procedure that you will have to go through? Give me a timeframe for each of these.

Mr. ELMORE. We would advertise the contract for bid; we would normally have those out for 30 days.

Mr. MYERS. Thirty days. OK.

Mr. ELMORE. Up to a 30-day award period, and then an award of a contract.

Back to your previous question, the schedule says, Mr. Congressman, that we would expend $28 million of the $94 million within fiscal year 1993, obviously obligated the whole $94 million within fiscal year 1993, and then the remaining $66 million in fiscal year 1994.

Mr. MYERS. OK. By the end of 1994. How much of it in 1993?

Mr. ELMORE. Outlays would be $28 million in 1993.

Mr. MYERS. How many jobs are involved in that $28 million? Have you got that figured out? Approximately?

Mr. ELMORE. Well, a rough approximation is about $27,000 per job in the program, so it is about a thousand jobs.

Mr. MYERS. Putting a piezometer in a dam where you already have one, just replacing it, isn't too much of a job, I wouldn't think.

Mr. ELMORE. Most of these won't be too difficult, because these are relatively small structures. Obviously you have to drill a hole for these if you have very high structures—but these are pretty low structures.

Mr. MYERS. As part of the economic stimulus, as I understand it, you are going to take unemployed people and put them to work.

Now, has there been any consideration here about these jobs? How many of these jobs will be people who are untrained or unskilled?

Mr. ELMORE. I couldn't give you a finite quantification of that. I will tell you skill is in the eye of the beholder. There certainly will be considerable numbers of laborers involved here, but there are also several skill levels. You have got equipment operators, concrete finishers, truck drivers, etc. depending upon how you personally classify skills.

Mr. MYERS. Those are people already trained for a specific job.

Mr. ELMORE. That is right.

Mr. MYERS. I am talking about people who aren't trained, who are standing in the unemployment line just at this very moment looking for a job. I think those ought to be our primary concern.

I wonder how many of these jobs are going to fall into that category.

As I look down through the list, it is hard to tell.

General WILLIAMS. I think, Mr. Congressman, I would address your question by saying that the package you have requires several different skills that we talked about earlier. Some require more skills than others. We do have a lot of skilled people standing in the unemployment line.

And so when we go out to contract, whoever the low, responsible bidder is, it is going to be up to him to determine whether or not he has got somebody that is already on board that he would otherwise let go if he didn't have something coming along or whether he would add to his work force, so it is hard for us to sit here today and tell you how many is he adding. Many of the jobs are, as a matter of fact, going to require labor-intensive types of jobs, especially if you are getting into the mat laying, for example, on the Mississippi River, which is very labor-intensive, lower skilled-type jobs.

Mr. MYERS. But they are already there. Those people are already working today. They are on the job already, aren't they?

General WILLIAMS. That is correct, Mr. Congressman. The mat laying team is a temporary team that comes on for the maximum of maybe 2.5 to 3 months, depending upon the funds that are available to do the job. Once that job is finished, they go back to unemployment lines, so what this will do will increase the number of weeks that they can be employed.

Mr. MYERS. We have been down there a number of times. It seems like they always tell me that they have other jobs to do. I am not trying to be difficult. I am trying to find out just how much concern was given in this package to the hard-core unemployment that we have heard so much about.

How much consideration is really given to finding jobs for those people. I really don't see too much of this package addressed to that. I am not critical of you folks. I realize you couldn't come up with those numbers.

What I was trying to ascertain is if there was really much consideration given to this entire package, how much consideration was given to really helping those people who have been unemployed beyond a year. This afternoon we have another unemployment benefits extension coming up. How are we going to get those people off of unemployment and put them back to work? That is what I am concerned about in this package.

I don't think you need to stimulate the economy to the point where you give the people already working more work to do. The jobs that you are talking about, most of them are going to be union contractors, aren't they? And they are not going to go to the unemployment lines, they are going to go to the union hall and these guys are going to work Saturdays or overtime to do the job. They are already employed.

I would like to keep them employed. And I would also like to see those people who don't have a job, don't even belong to a union, get a job.

Mr. PASTOR. Will the gentleman yield?

Mr. MYERS. Yes.

Mr. PASTOR. That is why I suggested that maybe in these jobs they would concentrate as best they could on providing contracts to minority firms so that when a contract is awarded we would encourage the hiring of the minorities who have an unemployment rate that is two or three times greater.

That is why I encouraged the Corps to look at the minority communities and make as many of these contracts 8(A) so that we could—so that she could hire more women and more minorities when she had the job given to her.

Thank you for yielding.

Mr. MYERS. That is the one thing that I am trying to get to. I heard the other day the President talk about jump-starting the economy. But when a car is going down the road at 50 miles an hour, which our economy is doing today, and you want to speed up to 70, it does not need a jump start. You may need to stimulate it some, but are we stimulating the 50 miles an hour, kicking it up to 70, or are we trying to get the car to stall and then creating jobs for them. You aren't responsible for the way we go about it, but we are. So I am trying to figure out what we are doing here.

General WILLIAMS. Mr. Congressman, I would like to address your comment about the union jobs. Contracts that the Corps lets do not specifically require union jobs, so we have a combination of both.

Mr. MYERS. There are certain areas, as you know, where a lot of them will be, won't they?

General WILLIAMS. Yes.

Mr. MYERS. I am not necessarily, I should say, anti-union. We have got to let the contracts to people who need a job.

Thank you.

Mr. BEVILL. All right. Any other questions or any other statements by anyone?

Mrs. MEEK. Mr. Chairman?

Mr. BEVILL. Yes.

Mrs. **Meek**. I just want to say to the gentleman who just finished talking that we are sitting on different sides of the Chairman, but I couldn't agree with you more.

Mr. **Myers**. Well, I think I have always been to the right of the Chairman, ever since the day we came here. Thank you.

Mr. **Bevill**. Any other questions or any other statements?

This will conclude the hearings on the President's economic stimulus package.

Thank you.

SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES

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TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF THE INTERIOR

WITNESSES

HON. BRUCE BABBITT, SECRETARY

BOB LAMB, BUDGET DIRECTOR

MARY ANN LAWLER, CHIEF DIVISION OF BUDGET OPERATIONS

KATHY TYNAN, FISH AND WILDLIFE SERVICE BUDGET OFFICER

BRUCE SHEAFFER, PARK SERVICE, ASSISTANT DIRECTOR-COMPTROLLER

LINDA RICHARDSON, BIA, DIRECTOR OF THE OFFICE OF FINANCIAL MANAGEMENT

INTRODUCTIONS

Mr. DICKS. Mr. Secretary, we are going to call the meeting to order.

This is a hearing on the emergency supplemental appropriations request to provide fiscal year 1993 funding for the short-term economic stimulus proposals. This request was officially transmitted to the Congress yesterday, February 22nd.

Today we are very pleased to hear testimony in support of these proposals from the Secretary of the Interior, Bruce Babbitt; Chief of the U.S. Forest Service, Dale Robertson; and Acting Assistant Secretary for Conservation of Energy, Robert L. San Martin, in that order.

We are pleased to welcome for the first time to our Committee the Honorable Bruce Babbitt, the Secretary of the Interior. At this time we will place in the record your biography, your prepared statement, the President's request relevant to this subcommittee's jurisdiction, and a brief justification of this request prepared by the Department of the Interior.

[The information follows:]

DEPARTMENT of the INTERIOR

SECRETARY OF THE INTERIOR BRUCE BABBITT

Bruce Babbitt was sworn in as 47th Secretary of the Interior on January 22, 1993. Babbitt was Governor of Arizona for nine years, 1978-1987, and Attorney General of Arizona, 1975-1978. In 1988 he was a candidate for the Democratic Party nomination for President.

Born June 27, 1938, Babbitt grew up in Flagstaff, Arizona, where his family pioneered a ranching and trading business in the 1880s. After graduating from the University of Notre Dame, where he was Student Body President, he received a Masters Degree in geophysics from the University of Newcastle in England which he attended as a Marshall Scholar. He graduated from Harvard Law School in 1965.

Babbitt, who was in the private practice of law at the time of his nomination to be Interior Secretary, also was national president of the non-partisan, non-profit League of Conservation Voters.

In 1978 he served as a member of the Presidential Commission to investigate the nuclear accident at Three Mile Island. He was a founding member of the Democratic Leadership Council and served as chairman of The Democratic Governors Association in 1985. He has been a member of the Advisory Council on Intergovernmental Relations and was a member of the Council on Foreign Relations, and the Grand Canyon Trust.

Described by the Almanac of American Politics as one of America's "most original" governors, his advocacy led to passage of a nationally acclaimed state water management code in 1980, and in 1986 of a water quality act described by the Los Angeles Times as perhaps "the nation's toughest law to protect underground water."

Babbitt's wife, Harriet, also an attorney, has been nominated for the post of Ambassador to the Organization of American States. They have two children, Christopher, 17, and T.J., 15.

-DOI-

STATEMENT OF BRUCE BABBITT
SECRETARY OF THE INTERIOR
BEFORE THE HOUSE APPPROPRIATIONS SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

February 23, 1993

I am very pleased to be here today to begin a cooperative and productive working relationship with this Subcommittee.

During the last week, there has been a great deal of discussion about the President's overall budget strategy and about his 1993 Economic Stimulus proposal. What I'd like to do today is to discuss with you the broader context of this Government-wide initiative, to go over the Interior Department's specific stimulus proposal, and then to respond to any questions you may have.

Short-Term Focus With Long-Term Gains

In my judgment, the President's total budget package in all of its components represents a sharp break with the traditional way of doing business in the Federal Government. It is a bold and courageous departure which features a short-term stimulus initiative combined with long-term restraint. It addresses both the immediate needs of the economy and people for work and the long-term structural problems of the deficit and jobs creation.

Having spent time on the road this past week, I will tell you what many Americans have so clearly told me: this is a welcome breath of fresh air. More importantly, it is what they expect of their government.

There is something else the American people expect and deserve: the right to a decent job. Now, there clearly are many indicators showing we're in an economic upswing -- and that is welcome news to us all. But there is one figure standing out among all others -- we are 3 million jobs short of where we would be if this were a normal recovery. The jobs just are not there. That is why the President has submitted his Economic Stimulus proposal. It is precisely the shot-in-the-arm our economy so clearly needs.

The President's Economic Stimulus proposal is explicitly intended to jump-start the economy with an infusion of cash and jobs -- for only a short period. It is the priming of the pump. Those hired this spring and summer will spend their earnings. Retail workers will benefit from those purchases. Factory workers will benefit from the new orders driven by those purchases. The stimulus creates a demand -- and that demand for more products means a demand for more workers. Thus, those who have gained short-term employment will more likely find long-term jobs in the near future.

If we keep this whole economic package together, we keep both public and private capital available for the creation of new jobs. That is why the President's package also focuses on revenues -- we need to stop borrowing so we can free up capital for investment. But as we look at the specific pieces, let's not lose focus on the cohesive whole.

Interior Investments

At the Department of the Interior, we met the President's challenge by identifying important projects already in the pipeline that could be put on the ground quickly, would address serious natural resource and facilities infrastructure problems, and would create jobs. Those criteria fit Interior very well because of the enormous need within the Department for repair, maintenance, natural resource conservation projects, roads, and BIA facilities. In fact, your Subcommittee has done so much for this Department over the past 12 years that, without your help, we would have been in a far worse situation.

The Department's contribution to President Clinton's Economic Stimulus package will fund needed and previously deferred improvements in the Nation's natural resource infrastructure, while keeping park facilities open for the public and preventing Indian schools from closing. Interior supports about 450 million annual visits to parks, refuges, and the public lands -- and visitation is growing. In order to ensure that these resources are maintained for the benefit of current and future generations of Americans, appropriate resources must be targeted to maintain this diverse and rich natural and cultural heritage.

Total stimulus funding proposed for the Department is $460.2 million. This includes $253.6 million for the National Park Service, $102.4 million for the Bureau of Indian Affairs, $87.3 million for the Fish and Wildlife Service, and $16.9 million for the Bureau of Land Management. Within our package, we have divided funding into four major categories of investment.

Restoring Our Natural and Cultural Resources

First, we placed significant emphasis on restoring natural and cultural resources: $195.3 million will fund non-facility investments in parks, refuges, reservations, and public lands.

The natural resource side of our package emphasizes wetlands, riparian, and habitat restoration projects. Funding proposed for the Fish and Wildlife Service will be used to help restore valuable wetlands, speed the recovery of endangered and declining species, and restore the Nation's fisheries.

Emphasis will also be placed on Bureau of Land Management projects in Western Oregon, hard-hit by worker displacement from traditional mill and logging jobs. For example, the stimulus package includes $5.6 million for BLM reforestation projects on O&C lands, reducing by 70 percent the current backlog of such projects.

In addition, a significant infusion of funds will be used by the National Park Service this summer so that campgrounds, trails, and other visitor activities that otherwise would have to be closed can remain open. An example: the Park Service will restore vegetation and dunes in the Mississippi portion of Gulf Islands National Seashore. Park efforts will also involve areas close to cities so urban youth can be involved. An example: the enhancement of waterfowl habitat in one of the Nation's best known urban wildlife refuges at Jamaica Bay in Gateway National Recreation Area.

The Bureau of Indian Affairs will target funds for forest development on Indian reservations for tree planting and pre-commercial thinning to increase future harvesting and the sale of wood products.

Infrastructure Repair and Maintenance

Second, we have allocated $127.5 million for repair and maintenance activities in Park and reservation infrastructure, where Interior has an enormous backlog of projects. The need is clearly visible in our parks, where deferred maintenance and increased visitation have created a situation that simply needs more attention.

Examples of Park Service repair projects include re-roofing more than 100 buildings in Yellowstone National Park; rehabilitating about 150 miles of trails in Great Smoky Mountains National Park; removing graffiti and debris at General Grant National Memorial (Grant's Tomb) in New York's

Riverside Heights; and removing auto parts, construction debris, kitchen appliances, and 15,000 to 20,000 tires that have been randomly dumped in the National Capital Parks - East, especially along Washington D.C.'s Anacostia River.

As I indicated, a substantial piece of the stimulus package is devoted to infrastructure needs on Indian reservations. Economic stimulus is a critical need on reservations -- where unemployment averages nearly 40 percent, and in some places is more than 80 percent. The lack of job opportunities there contributes to greater problems, as it does elsewhere.

Basic needs on BIA lands are often astounding, and there are many obvious projects in the pipeline, such as repairing, cleaning, and painting school facilities. These projects can result in the creation of immediate and much-needed jobs.

Road Maintenance and Repair

Third, $82.9 million is allocated to road maintenance and repair for parks, reservations, and public lands. As you know, investments in roads ensure high quality and safe visitor experiences in parks and on public lands and promote economic development for Tribes.

For example, our stimulus proposal includes funds for Park Service projects, such as paving drives, parking areas, and visitor use sites at Cuyahoga National Recreation Area; reconstructing a portion of Skyline Drive in Shenandoah National Park; and rehabilitating the heavily used Baker Tunnel in the Marin Headlands District of Golden Gate National Recreation Area.

BIA will target funds on Indian reservations for safer roads and improved access for schools, medical facilities, businesses, and tourists. BLM will use its funds for needed road maintenance in the O&C counties, again targeting areas where unemployment is high. For example, BLM will repair 85 bridges, replace 40 major culverts, and re-seal more than 300 miles of deteriorating bituminous-surfaced roads. In addition to addressing safety needs, these projects -- especially the culverts and road sealing -- will help reduce stream sedimentation. These actions will also contribute to outdoor recreation and tourism.

Educational and Economic Opportunities for Tribes

Fourth, our proposal includes $54.5 million for educational and economic opportunities for Tribes and Native Americans. President Clinton has promised to encourage economic development on reservations by helping small businesses prosper. The loan guarantees will leverage nearly $50 million of private capital and create permanent employment.

Stimulus funds for Indian schools will cover severe funding shortfalls for the current (1992-3) and upcoming (1993-4) school years. Increased student enrollment has simply outstripped the funds appropriated for the current school year, as well as for the school year beginning next fall. This will prevent teacher layoffs and school closings in several areas.

* * * * *

By way of summary, the purpose of the Economic Stimulus package is to provide a needed boost to the Nation's economy. In doing so, we will also help accomplish long-term goals at Interior. It is imperative that we produce results, and we will carefully track both funding and jobs created to ensure that we meet our objectives.

I am looking forward to working with this Subcommittee now and in the future to help address these and other issues that jointly we must solve. I will be happy to answer any questions.

DEPARTMENT OF THE INTERIOR

1993 ECONOMIC STIMULUS

BUREAU AND PROGRAM SUMMARY

DOI Economic Stimulus Funding Projects ($000's)

Table I

		FY 1993 Enacted	Total Stimulus Funding
Repair and Maintenance of Park and Reservation Infrastructure			
NPS	Cyclic Repair/Rehabilitation Maintenance	66,000	79,519
NPS	Service-wide Construction	172,500	18,000
NPS	Employee Housing	11,000	10,000
NPS	Storm Damage Rehabilitation - Northeast	N/A	5,591
NPS	Exhibit Repair/Replacement	N/A	5,000
BIA	Facilities Repair (schools, jails, etc.) (Const.)	50,774	4,696
BIA	Cleaning and Painting Schools (OIP)	64,428	4,700
	Total		127,506
Restoration of Natural and Cultural Resources			
BLM	Reforestation (O&C)	29,117	5,635
BLM	Riparian improvements (MLR)	12,000	1,878
FWS	Wetlands/riparian/habitat projects	76,988	46,348
FWS	Natural Resource Protection	287,336	41,000
NPS	Natural Resource Protection	55,849	20,000
NPS	Cultural Cyclic Maintenance	8,000	12,000
NPS	Additional Seasonal Operations	N/A	30,000
NPS	Historic Preservation Fund Grants (States & Tribes)	28,986	12,472
NPS	Historic Preservation Fund Grants (National Trust)	6,144	9,600
NPS	Historic Preservation (HABS/HAER) (NRPP)	1,487	1,409
BIA	Forest Development (OIP)	9,334	15,000
	Total		195,342
Road Maintenance and Repair (Parks, Reservations and Public Lands)			
BLM	Road maintenance (O&C)	4,351	9,393
NPS	Road Construction (constr.)	83,000	50,000
BIA	Roads maintenance (OIP/no-year)	29,872	23,500
	Total		82,893
Educational and Economic Development Opportunities for Tribes			
BIA	Loan guarantees (Guaran. Loans) /2	9,687	5,636
BIA	Schools	N/A	48,844
	Total		54,480
	Total, Stimulus Supplemental		460,221

Department of the Interior Economic Stimulus Funding ($000's)

Table II

Total Funding - $460.2 Million

		FY 1993 Enacted	Total Stimulus Funding
BLM			
BLM	Road maintenance (O&C)	4,351	9,393
BLM	Reforestation (O&C)	29,117	5,635
BLM	Riparian improvements (MLR)	12,000	1,878
	total, BLM	45,468	16,906
FWS			
FWS	Wetlands/riparian/habitat projects (RM)	76,988	46,348
FWS	Natural Resource Protection (RM)	287,336	41,000
	total, FWS	364,324	87,348
NPS			
NPS	Road Construction (Constr.)	83,000	50,000
NPS	Cyclic Repair/Rehabilitation Maintenance (ONPS)	66,000	79,519
NPS	Service-wide Construction	172,500	18,000
NPS	Employee Housing (Constr.)	11,000	10,000
NPS	Storm Damage Rehabilitation - Northeast (Constr.)	N/A	5,591
NPS	Exhibit Repair/Replacement (ONPS)	N/A	5,000
NPS	Natural Resource Protection (ONPS)	55,849	20,000
NPS	Cultural Cyclic Maintenance (ONPS)	8,000	12,000
NPS	Additional Seasonal Operations (ONPS)	N/A	30,000
NPS	Historic Preservation Fund Grants (States & Tribes)	28,986	12,472
NPS	Historic Preservation Fund Grants (National Trust)	6,144	9,600
NPS	Historic Preservation (HABS/HAER) (NRPP)	1,487	1,409
	total, NPS	432,966	253,591
BIA			
BIA	Roads maintenance (OIP/no-year)	29,872	23,500
BIA	Facilities Repair (schools, jails, etc.) (Const.)	50,774	4,696
BIA	Cleaning and Painting Schools (OIP)	64,428	4,700
BIA	Forest Development (OIP)	9,334	15,000
BIA	Loan guarantees (Guaran. Loans)	9,687	5,636
BIA	Schools	N/A	48,844
	total, BIA	164,095	102,376
			460,221

Department of the Interior
Bureau of Land Management
Economic Stimulus Funding

($ in 000s)	FY 1993 Enacted	Total Stimulus Funding
Activity/Subactivity		
Road Maintenance		
Oregon and California Grant Lands		
Western Oregon Facilities Maintenance	7,456	9,393
Reforestation		
Oregon and California Grant Lands		
Western Oregon Resources Management	71,600	5,635
Riparian Improvements *		
Management of Lands and Resources		
Renewable Resources Management		
Rangeland Management	2,800	432
Soil, Water and Air Management	4,000	620
Wildlife Habitat and Fisheries Mgt.	4,400	695
Range Improvement Fund		
Improvement to Public Lands	900	131
Subtotal, Riparian	12,100	1,878
Bureau of Land Management		**16,906**

* Estimate of spread among subactivities only: riparian projects are funded out of several of BLM subactivities.

- Road Maintenance
  - Repair 85 bridges cited for safety violations
  - Reduce stream sedimentation by replacing 40 culverts and re-sealing over 300 miles of roads

- Reforestation
  - Reduce reforestation backlog by 70% on O & C lands

- Riparian Improvements
  - Implement riparian improvement projects in 11 Western states

Department of the Interior
Fish and Wildlife Service
Economic Stimulus Funding
($ in 000s)

Account/Activity/Subactivity	FY 1993 Enacted	Total Stimulus Funding
Resource Management		
Fish and Wildlife Enhancement		
Endangered Species	39,698	19,901
Habitat Conservation	45,063	24,299
Refuges and Wildlife		
Refuge Operations and Maintenance	160,411	28,782
Migratory Bird Management	17,299	3,000
Fisheries		
Hatchery Operations and Maintenance	39,972	7872
Research and Development		
Fish and Wildlife Center O & M	63,423	3495
Fish and Wildlife Service		87,348

Endangered Species

A significant portion of the funding will be dedicated to prelisting activities in support of species stabilization and conservation. Approximately 3,800 species await status surveys where listing can be avoided by aggressive actions for habitat and species stabilization activities. In addition funding will be used to address recovery planning and recovery tasks for priority species.

Funding will be used for the following: candidate species surveys, $4.1 million; habitat conservation, $4.0 million; habitat restoration $5.0 million; recovery actions, $1.9 million; developing and implementing recovery plans, $3.9 million; and $1.0 million for additional permitting workload, primarily related to the Wildbird Trade Conservation Act of 1992.

Habitat Conservation

Since 1987, the FWS Private Lands program has worked with private landowners to restore over 175,000 acres of wetlands. This involved more than 1,100 contracts with primarily small, rural based private construction enterprises. Funding will be used to restore over 50,000 acres of marsh and prairie potholes, plant 18,000 acres of bottomland hardwood forest, 35,000 acres of prairie grasslands, and over 200 miles of riparian habitat with benefits to neotropical migratory birds, waterfowl, endangered species and native animal and plant communities.

Additional funding is requested for 20 projects in 9 existing Bay/Estuary programs. Work involves identifying resource problems, providing technical assistance to other agencies and providing input on land management issues. Additional funding is also requested to for the National Wetlands Inventory.

Refuge Operations and Maintenance

Funding will be used to initiate trust species population inventories, habitat management and improvement projects (dense nesting cover for migratory birds, song birds, endangered birds), protection of important natural habitats that would otherwise be lost (i.e. native prairies). A significant effort will be dedicated to initiating and updating baseline fish and wildlife resources on Alaska refuges. In addition, effort will be made to administer refuge projects through youth programs.

Migratory Bird Management

Funds are proposed to expand existing partnership agreements among public agencies and other interests to protect, enhance restore and manage ecosystems for migratory birds and other fish and wildlife. Seven projects are proposed with a focus on urban fish and wildlife monitoring an habitat improvement. This activity will be administer through the network of the North American Wetlands Conservation Fund.

Fisheries

The FWS is embarking on a coordinated, comprehensive, habitat-based fisheries program. Some of the high priority projects include: native stock resource assessments and habitat requirement assessments (population baseline data for Missouri River, Lower Mississippi River, sturgeon/striped bass genetic assessments), strategic management of river basins (Chehalis River habitat degradation study and salmon restoration, Rio Grande nonindigenous versus native fish species management planning and habitat restoration on the Trinity River).

Research

The major cause of biodiversity loss is human action, primarily land-use that alters habitat. Yet the ability to forecast the impact of specific human actions (such as migration, intensive agriculture, or industrialization) upon biodiversity is not developed, and practical techniques for conducting such analyses do not exist. Gap analysis has the potential to make such analyses possible. Funding is being used to continue the development of gap analysis in 22 states, to begin demonstrations in the Pacific Northwest and Great Basin, and expand work in New England, Pennsylvania, Maryland, Delaware and New Jersey.

Department of the Interior
National Park Service
Economic Stimulus Funding

($ in 000s)	FY 1993 Enacted	Total Stimulus Funding
Appropriation		
Activity/Subactivity		
Road Maintenance		
Construction		
Line item, roads only ('93 is for DOT)	83,000	50,000
Repair and Maintenance		
ONPS		
Cyclic Maint./Repair and Rehabilitation	67,116	79,519
Exhibit Rehabilitation	N/A	5,000
Construction		
Line Item Construction	172,522	18,000
Housing Rehabilitation	10,909	10,000
Storm Damage	N/A	5,591
Restoration of Natural Resources		
ONPS		
Natural Resource Preservation	9,586	20,000
Cultural Cyclic Maint.	8,527	12,000
Seasonal Operations	N/A	30,000
Historic Preservation Fund		
Grants to States and Tribes	30,473	12,472
Grants to the National Trust	6,144	9,600
National Recreation and Preservation		
Historic American Building Survey Historic American Engineering Record	1,085	1,409
National Park Service		**253,591**

Road Maintenance

Line Item Road Construction and Maintenance ($50 million)

- $50 million will fund major road reconstruction at seven sites ($30 million) through the Federal Highway Administration program and regional road maintenance at 60 sites in 54 parks ($20 million) through the National Park Service.

Examples of major road reconstruction include rehabilitation of the Baker Tunnel at Golden Gate National Recreation Area in California ($7 million) and correction of entrance road failure at Mesa Verde National Park in Colorado ($1.6 million). Examples of regional road maintenance include paving drives and parking areas at Cuyahoga Valley National Recreation Area in Ohio ($100 thousand) and chipping and sealing park roads at Coulee Dam National Recreation Area in Washington ($130 thousand).

Road reconstruction and maintenance will correct safety and maintenance deficiencies, ensuring safe and enhanced visitor access to the Nation's national parks.

Repair and Maintenance

Cyclic Maintenance and Repair and Rehabilitation ($79.5 million)

- $79.5 million will be distributed to all National Park Service units, funding approximately 815 cyclic maintenance projects. Typical examples of cyclic maintenance include repainting and reroofing of buildings, trail brushing, sign replacement and repair. Cyclic maintenance is performed every two to ten years depending upon the type and age of the facility. The work requires minimal design and is usually performed by day labor contract.

Examples of projects that will be funded include replacing deteriorating sidewalks at Lincoln Boyhood Home National Historic Site in Illinois ($330 thousand), rehabilitate nature walks and campground facilities at Chickasaw National Recreation Area in Oklahoma ($85 thousand) and water system repair at Coronado National Monument in Arizona ($25 thousand).

Exhibit Rehabilitation ($5 million)

- $5 million will fund 27 projects upgrading park interpretive exhibits nationwide.

Examples of projects include fabricating and installing an interpretive exhibit at Padre Island National Seashore in Texas ($100 thousand) and complete production of a film on Acadian culture for Jean Lafitte National Historic Site in Louisiana ($100 thousand).

Line Item Construction ($18 million)

- $18 million will fund five major construction projects.

The work will encompass rehabilitation and installation of electrical systems at Yosemite National Park in California ($2.6 million) and at the John D. Rockefeller, Jr. Memorial Parkway in Wyoming ($700 thousand);

rehabilitation of beach recreation areas at Gateway National Recreation Area in New York ($5.2 million); and

rehabilitation of employee housing at Cape Hatteras National Seashore in North Carolina ($5.5 million) and at Grand Canyon National Park in Arizona ($4 million).

Employee Housing ($10 million)

- $10 million will fund 65 employee housing rehabilitation and repair projects. For most park areas the provision of adequate living quarters is a prerequisite for park operations since other housing is not available.

Examples of projects include insulation of housing units at Cape Cod National Seashore in Massachusetts ($40 thousand), roof replacement at Lava Beds National Monument in California ($30 thousand) and asbestos removal from Hawaii Volcanoes in Hawaii ($65 thousand).

Storm Damage ($5.6 million)

- In December 1992 an unusually strong storm caused extensive damage at 6 park units in the North Atlantic region. Initial debris clean-up, resource stabalization and building repairs are estimated to cost $5.2 million. On February 19, 1993, the Secretary signed an order, pursuant to his authority under Section 101 of the Interior and Related Agencies Appropriation Act (P.L. 102-381) to transfer $5.2 million in construction funds to the region to cover initial repairs so that facilities would open in time for the summer season. This supplemental request is to pay back funds transferred for this purpose ($5.2 million) and to fund a storm damage assessment study ($400 thousand).

Restoration of Natural and Cultural Resources

Natural Resource Preservation ($20 million)

- $20 million will fund over 350 projects nation-wide to protect and preserve park natural resources. Natural resources include plants, animals, water, air, soil and topographic features and paleontologic resources, all of which compose an ecosystem. A recent Interior IG report documented a backlog of nearly 4,000 projects totalling over $400 million in this area.

Funded project examples include developing an exotic species mitigation plan at Acadia National Park in Maine ($30 thousand) and soil surveys and inventory of plant species at Mesa Verde National Park in Colorado ($22 thousand).

Cultural Cyclic Maintenance ($12 million)

- $12 million will be distributed to all National Park Service units, funding over 200 cultural cyclic maintenance projects.

Examples of projects that will be funded include artifact conservation at Fort Union Trading Post National Historic Site in North Dakota ($90 thousand), Native American ethonographic resource identification at Glacier National Park in Montana ($20 thousand) and preservation of historic ice house at Hoist Bay in Voyageurs National Park ($75 thousand).

Seasonal Operations ($30 million)

- $30 million will provide adequate funding for National Park Service seasonal operations nation-wide preventing the closure of units to the public due to inadequate operations funding. Seasonal operations funding typically funds visitor oriented services such as interpretation and recreation programs.

Historic Preservation Fund - Grants to States/Tribes/National Trust ($22 million)

- $12.5 million will be provided in grants to the States and Tribes to fund historic preservation activities.

- $9.6 million will be provided to the National Trust for Historic Preservation to fund preservation activities at 16 historic properties.

Historic American Building Survey and Historic American Engineering Record ($1.4 million)

- The Historic American Building Survey (HABS) and the Historic American Engineering Record (HAER) were begun in the 1930's during the Depression. Architects and engineers were employed to produce measured drawings of the Nation's significant structures and engineering achievements. Currently this work is carried out by students. Over the 60-year history of these programs, structures have been recorded as measured drawings for the Library of Congress.

With the $1.4 million proposed in the Administration's economic stimulus package, approximately 28 of the most important structures in the NPS would be recorded and deposited with the Library of Congress. Using cooperative agreements with the American Institute of Architects and the American Society of Civil Engineers, along with contracts with private firms.

Department of the Interior
Bureau of Indian Affairs
Economic Stimulus Funding

($ in 000s)	FY 1993 Enacted	Total Stimulus Funding
Appropriation/Activity/Subactivity		
Road Maintenance		
Operation of Indian Programs		
Other Recurring Programs	29,872	23,500
Repair of BIA Facilities		
Construction		
Education, General Administration	50,774	4,696
Painting and Improving Schools		
Operation of Indian Programs		
Other Recurring Programs	64,428	4,700
Forest Development		
Operation of Indian Programs		
Non Recurring Programs	9,334	15,000
Guaranteed Loans		
Indian Guaranteed Loan Program	9,687	5,636
Indian Education		
Operation of Indian Programs		
Other and Non Recurring Programs	N/A	48,844
Bureau of Indian Affairs		102,376

- Road Maintenance
  -- Upgrade school bus routes, medical access roads, and rural routes on Indian reservations.

- Repair of BIA Facilities
  -- Repair of Indian schools and other facilities; there is currently a $550 million backlog of facility repair projects on the reservations.

- Painting and Improving Indian Schools
  -- Provide summer jobs to clean, paint and upgrade Indian schools. Many of the 180 Indian schools are deteriorating.

- Forest Development
  -- Tree planting and precommercial thinning to increase future harvesting on about 50 reservations. A recent study identified 1.7 million acres on Indian reservations needing forest development. Funds are targeted to reservations with the largest acreage of need.

- Guaranteed Loans
  -- BIA will guarantee $48 million in loans for Indian businesses.

- Indian Education
  -- Funds will prevent school closure, staff reductions, and furloughs in the current and upcoming school years. The unanticipated five percent increase in enrollment in Indian schools has caused a severe funding shortfall.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J. Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

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Enclosures

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Management of Lands and Resources

For an additional amount for "Management of lands and resources," $1,878,000, to remain available until September 30, 1993.

This supplemental request would be used for riparian improvement projects in the rural areas of eleven Western States. It is part of the Rebuild America economic stimulus intended to enhance natural resource protection while increasing employment.

This proposal would result in increased obligations of $1.9 million in FY 1993 and would increase FY 1993 outlays by $1.7 million. An estimated 50 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Oregon and California Grant Lands

For an additional amount for "Oregon and California grant lands," $15,027,547, to remain available until September 30, 1993.

This supplemental request would be used for road maintenance projects and reforestation in the economically depressed counties of Western Oregon. It is part of the Rebuild America economic stimulus intended to enhance natural resource protection while increasing employment.

This proposal would result in increased obligations of $15 million in FY 1993 and would increase FY 1993 outlays by $13.5 million. An estimated 400 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

FISH AND WILDLIFE SERVICE

Resource Management

For an additional amount for "Resource management," $87,348,000, to remain available through September 30, 1993.

This supplemental request would provide resources for habitat restoration and improvements, and natural resource protection, with particular emphasis on wetlands, endangered species, and national wildlife refuges. It is part of the Rebuild America economic stimulus intended to improve environmental infrastructure while increasing employment.

This proposal would result in increased obligations of $87.3 million in FY 1993 and would increase FY 1993 outlays by $78.8 million. An estimated 2,500 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Operation of the National Park System

For an additional amount for "Operation of the national park system," $146,519,000.

This supplemental request would provide funds for cyclic repair, rehabilitation and maintenance of park facilities, interpretive exhibit repair and replacement, natural resource protection projects, and additional seasonal park operations to eliminate a projected funding shortfall that would otherwise curtail services or close facilities at certain national park areas during the remainder of FY 1993. This request is part of the Rebuild America economic stimulus intended to enhance natural resource protection and environmental infrastructure while increasing employment.

This proposal would result in increased obligations of $146.5 million in FY 1993 and would increase FY 1993 outlays by $132.0 million. An estimated 5,600 jobs would be generated by this proposal in FY 1993.

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DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

National Recreation and Preservation

For an additional amount for "National recreation and preservation," $1,409,000, to remain available until September 30, 1993.

This supplemental request would provide funds for the Historic American Building Survey and the Historic American Engineering Record to produce measured drawings of nationally significant architectural achievements for deposit within the Library of Congress. It is part of the Rebuild America economic stimulus intended to preserve for future generations America's finest architectural and engineering accomplishments while increasing employment.

This proposal would result in increased obligations of $1.4 million in FY 1993 and would increase FY 1993 outlays by $1.0 million. An estimated 50 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Historic Preservation Fund

For an additional amount for "Historic preservation fund," $22,072,000, to remain available until September 30, 1993, of which $9,600,000 shall be for the National Trust for Historic Preservation: Provided, That any matching fund requirements in the National Historic Preservation Act Amendments shall not apply to this amount.

This supplemental request would provide funds for States, Indian Tribes and the National Trust for Historic Preservation to accomplish preservation projects nation-wide. It is part of the Rebuild America economic stimulus intended to undertake a package of ready-to-go, bricks and mortar rehabilitation, and deferred maintenance projects while increasing employment.

This proposal would result in increased obligations of $22.1 million in FY 1993 and would increase FY 1993 outlays by $13.0 million. An estimated 375 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

Construction

For an additional amount for "Construction," $83,591,000, to remain available until September 30, 1993.

This supplemental request would provide funds for construction and rehabilitation activities for park roads, facilities, and employee housing. It is part of the Rebuild America economic stimulus intended to improve environmental infrastructure while increasing employment.

This proposal would result in increased obligations of $83.6 million in FY 1993 and would increase FY 1993 outlays by $75.2 million. An estimated 2,300 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Operations of Indian Programs

For an additional amount for "Operations of Indian programs," $92,044,000, of which $26,257,000 for school operations shall become available for obligation on July 1, 1993 and remain available for obligation until September 30, 1994; and $65,787,000 shall remain available until September 30, 1993.

This supplemental request would be used for school operations, administrative cost grants, road maintenance, forest development, and operation and maintenance of education facilities. Of the amount requested, $23 million is needed to meet shortfalls in funds available for Indian School Equalization Programs and related administrative cost grants in the current school year. The shortfall is a result of an unanticipated five percent increase in school enrollment. Based on current projections, an additional $26 million is needed to supplement the funds available for the 1993-1994 school year that begins July 1, 1993. The balance of the request includes $23 million for road maintenance, $15 million for forest development, and $4.7 million for education facility operations and maintenance projects to stimulate employment through economic development and infrastructure improvements on Indian reservations. It is part of the Lifetime Learning and Rebuild America economic stimulus intended to enhance school operations and natural resource protection on Indian reservations.

This proposal would result in increased obligations of $75.9 million in FY 1993 and would increase FY 1993 outlays by $67.0 million. An estimated 1,000 jobs would be generated by the proposal in FY 1993.

Note: This supplemental request funds initiatives for the "Summer of Opportunity", "Rural Development", and "Environment/Energy" initiatives. Of the amount requested, $48.8 million is for enhanced school operations.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Construction

For an additional amount for "Construction," $4,696,000, to remain available until September 30, 1993.

This supplemental request would be used for the completion of facility improvement and repair projects. The projects include education and law enforcement repairs, and closure of certain solid waste landfills on Indian reservations. This economic stimulus appropriation will generate jobs in construction trades and associated material and supply industries, as well as improve the infrastructure of Bureau of Indian Affairs facilities. It is part of the Rebuild America economic stimulus intended to enhance natural resource protection and provide for economic development on Indian reservations.

This proposal would result in increased obligations of $4.7 million in FY 1993 and would increase FY 1993 outlays by $4.0 million. An estimated 100 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Indian Guaranteed Loan Program Account

For an additional amount for the "Indian guaranteed loan program account," $5,636,000, to remain available until September 30, 1993: Provided, That these funds are available to subsidize an additional total loan principal any part of which is to be guaranteed, not to exceed $47,909,000.

This supplemental request would be used to provide guarantees for private sector loans to nine Indian businesses to support loans with a face value of $47.9 million. Economic development ventures include hotels, convention centers, logging mills, an office complex, and gaming enterprises. Loan applications have been reviewed and can be approved as soon as funds are available. Most projects will be under construction within 30 days of receipt of funds. This request is part of the Rebuild America economic stimulus intended to provide for economic development on Indian reservations.

This proposal would result in increased obligations of $5.6 million in FY 1993 and would increase FY 1993 outlays by $5.6 million. An estimated 700 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

National Forest System

For an additional amount for "National forest system", to be used for maintenance, repairs, rehabilitation, and natural resource conservation activities, $140,883,000 to remain available for obligation until the end of fiscal year 1993.

This supplemental request would provide $140.9 million to reduce the backlog of cyclic maintenance and rehabilitation of facilities, trails, and recreation sites within the National Forests. It is part of the Rebuild America economic stimulus intended to enhance natural resource protection while increasing employment.

The proposal would result in increased obligations of $140.9 million in FY 1993 and would increase FY 1993 outlays by $131.5 million. This proposal and the proposed funding for Forest Service, "Construction" together would generate an estimated 2,300 new jobs for FY 1993.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Construction

For an additional amount for "Construction", to be used for recreation facility and trail construction, $46,961,000, to remain available for obligation until the end of fiscal year 1993.

This supplemental request would provide $47.0 million for construction and reconstruction of facilities, trails, and recreation sites within the National Forests. It is part of the Rebuild America economic stimulus intended to enhance natural resource protection while increasing employment.

The proposal would result in increased obligations of $47.0 million in FY 1993 and would increase FY 1993 outlays by $37.6 million. This proposal and the proposed funding for the "National forest system" together would generate an estimated 2,300 new jobs in FY 1993.

DEPARTMENT OF ENERGY

ENERGY PROGRAMS

Energy Conservation

For enhanced "Energy conservation" activities, $100,778,000 to remain available until expended, of which $28,177,000 shall be for the acquisition of alternative-fuel vehicles for the Federal fleet and for the conversion of existing vehicles in the Federal fleet to alternative fuels: Provided, That such funds shall only be used to pay the cost differential between the alternative-fuel vehicle and the same model of vehicle in its conventional-fuel design, not to exceed $3,500 for any vehicle; and of which $18,784,000 shall be for full funding for a one-time special award of grants under the Institutional Conservation Program; and of which $46,961,000 shall be for grants to States for weatherization and building energy conservation programs: Provided, That such grants shall be made on the basis that the recipients have an acceptable plan for providing or acquiring matching funds in a one-to-one ratio with the Federal funds; and of which $5,635,000 shall be available to the Federal Energy Management Program for expanded training, site audit, and other support functions; and of which $1,221,000 shall be available to establish a fund administered by the Federal Energy Management Program to provide financial assistance for cost-effective energy efficiency improvements to facilities of any Federal agencies other than the Departments of Defense, Energy, and Veterans' Affairs, and the General Services Administration.

The language above provides additional funds for the following:

Alternative-Fuel Vehicles. The Federal government operates a fleet of about 375,000 light-duty vehicles (automobiles, pick-up trucks, and small vans), not including the Postal Service's vehicles. A program is already in place to purchase increasing numbers of alternative-fuel vehicles (AFVs), with $7 million appropriated to DOE in FY 1993 to pay for the incremental cost of AFVs. This supplemental request would provide an additional $28.2 million for FY 1993, which would cover conversions of existing Federal fleet vehicles as well as additional purchases of new vehicles.

Weatherization Matching Grants. The Department of Energy Weatherization Assistance Program provides funds to States to subsidize weatherization improvements to the residences of low-income citizens. The current level of funding ($185 million in FY 1993) is distributed as "formula grants" to the States, with each receiving a specified percentage of the total. The increase proposed here, $47.0 million for FY 1993, would be distributed differently, in order to increase the leverage received on taxpayer funds. Matching funds (at least 1:1) will be required, which could come from State funds, utility demand-side management (rebate and discount) programs, or other sources. This will encourage State weatherization programs to take advantage of utilities' demand-side management programs, which is not commonly done now, and will ensure that the funds go to States that demonstrate a serious commitment to low-income weatherization activities. With 1:1 leveraging of these funds, approximately 58,700 additional homes will be weatherized over the current FY 1993 projection.

Federal Energy Management Program. Both Administration policy and the Energy Policy Act of 1992 require that Federal agencies reduce their energy consumption per square foot of facilities by 20 percent by the year 2000, relative to their consumption in 1985. In order to meet the 20 percent goal, the Administration proposes to ramp up spending from the current level of $150 million to over $500 million per year by FY 1996. As a first step in that increase, a total of $18.8 million to improve Federal facility energy efficiency is being requested as supplemental appropriations for FY 1993, divided among four agencies. The language above provides $5.6 million as the Federal Energy Management Program's share of that first step. It will provide for the training of approximately 560 new energy managers and the performance of energy audits at 470 Federal sites around the country. The total $18.8 million Federal Energy Efficiency supplemental is expected to create approximately 188 jobs in FY 1993, with substantially more in the future as the program expands.

Federal Energy Efficiency Fund. Besides the $5.6 million for increased training and site audits described above, the $18.8 million federal energy efficiency initiative provides $13.1 million in funds for actual facility improvements. The largest energy-using agencies (the Departments of Defense, Energy, and Veterans' Affairs and the General Services Administration) will receive direct appropriations for this purpose. Those four agencies account for a little more than 90 percent of all energy use in Federal facilities, and they will receive a little more than 90 percent of the facility improvement funds. In addition, the language above also provides $1.2 million to create a fund to be administered by the Federal Energy Management Program to help finance energy improvements in all other Federal agencies, proportionate to their 9 percent share of energy consumed by government facilities.

These proposals, excluding the proposal funding for Federal facility energy efficiency, would result in FY 1993 obligations of $94 million and FY 1993 outlays of $35 million. An estimated 870 jobs would be generated in FY 1993 and 1994. Estimated obligations and outlays resulting from funds requested in this account for Federal facility energy efficiency are included in the totals for the Federal Energy Management Program.

Mr. **Dicks**. Mr. Secretary, we will be pleased to hear what you have to say, and we want to welcome you to the Committee and look forward very much to working with you on the very important issues that face the Interior Appropriations Subcommittee.

Mr. Yates couldn't be here today, but we will fill in the best we can, and welcome.

INVESTMENT PACKAGE

Secretary **Babbitt**. Mr. Chairman and Committee members, thank you very much. It is a pleasure to be here. I look forward to working with you; and, by my personal presence here today, simply want to emphasize, number one, that I understand your importance in the life of my Department. And, secondly——

Mr. **Dicks**. We want to work with you.

Secretary **Babbitt**. My intention is to communicate and to be as responsive as I possibly can.

Now, I have with me to rescue me at the point that I sink beneath your interrogation, Bob Lamb, who is my Budget Director; Mary Ann Lawler, who is also in the Budget Office; Kathy Tynan, Fish and Wildlife; Bruce Sheaffer; and Ms. Linda Richardson.

Mr. **Dicks**. Feel free to call on any of your people. Let's make this as informal as we can.

Secretary **Babbitt**. I will.

Mr. **Dicks**. All right.

Secretary **Babbitt**. Mr. Chairman, just a few brief thoughts about how this package was developed and what it means for the Department.

The Department of the Interior I think is really a perfect place for this kind of program because we have a number of agencies with a large amount of infrastructure and accumulated repair and maintenance needs. And, in each case, there is a substantial backlog of unmet work that the Committee is surely familiar with from prior years.

I have had an estimate, for example, that there is more than $5 billion accumulated maintenance and repair, and I think it is obvious what that is. In the case of the Park Service, all you need to do is drive up to Blue Ridge or Shenandoah or any of the nearby parks or go up to Gateway in New York or out to Grand Canyon in Yosemite, and what you see, I think, is we really are lagging way behind on road maintenance and simple things like adequate numbers of sanitary facilities on the beaches of Gateway. The storm damage has not been repaired. We have a huge roofing backlog at Yosemite. There are many, many other examples.

In the case of the Fish and Wildlife Service, we have—Congressman, good morning.

Mr. **Kolbe**. Good morning, sir.

Secretary **Babbitt**. We have a large backlog of habitat restoration projects. The same for the BLM. And, in the case of the Bureau of Indian Affairs, there is a large backlog of simple basic plain vanilla infrastructure issues: Paving roads for the first time, doing maintenance on the BIA school system and the tribal school systems, which has been deferred to the point that a lot of that infrastructure is really at risk.

We are moving ahead on some of the commitments that we have made to develop irrigation systems, and other things of that kind. That is just a way of saying the process of developing this package was relatively straightforward. We have a backlog. They are of projects which can be done quickly. They are already developed. They are in the pipeline. They will have an immediate economic impact. Many of them are projects where we can contract the work out to the private sector. It doesn't necessarily require a vast scale-up of our own administrative and supervisory capacities.

We have tried to take account of unemployment in the regions where we have the projects. It is not a perfect fit. Obviously, the list is a match between our sense of the most urgent priorities in the various agencies and the employment needs in particular regions of the country.

I have provided you a breakdown of the total request, which is $460 million, both by type of project and by agency. And, as you can see, the types of projects are pretty straightforward. One large category, about a third of the money, is repair and maintenance of existing infrastructure. Another 35, 40 percent is investment in natural resources, and this consists of reforestation, riparian improvements, wetland, habitat and historic preservation.

There is a separate category of approximately $82.9 million for road maintenance as a separate category of infrastructure and a couple of specific items relating to the operation of the Bureau of Indian Affairs.

AGENCY BREAKDOWN OF INVESTMENT PACKAGE

In terms of an agency breakdown, I would offer you the following: The big winner, if you will, is the National Park Service. Out of our request of $460 million, we propose to allocate $253 million to the National Park Service. That reflects in a rough way their proportion of the backlog of infrastructure, maintenance, repair, road construction, that kind of thing.

The second highest category is the Bureau of Indian Affairs. I think that is largely self-explanatory. And then the two other agencies within my Department have these kind of projects susceptible to one-shot expenditures—creating employment, meeting an urgent developed real time need of the Bureau and Land Management and the Fish and Wildlife Service.

Mr. Chairman, with that I would be happy to submit myself to your tender mercies.

OBLIGATING FUNDS

Mr. Dicks. All right. Well, Mr. Secretary, I think you are very correct that we do have a very serious backlog of activities, especially in the Park Service area. This money can be used, I think, for a very good purpose, and one does not have to travel far to look at our parks and recognize that much work needs to be done.

The Committee is concerned that the Park Service, for some reason, has had a difficult time obligating construction funds. And in our research we have found that there is an unobligated balance at the end of the fiscal year 1992, and this is now $324 million for construction. And, you know, we appreciate, what you are trying to do with the additional $83 million. But what are we going to do about trying to get the economic impact of the funds we have already invested? It seems to me if we could get that $324 million obligated we could have a very considerable impact on the backlog of projects.

Secretary **Babbitt**. Mr. Chairman, I agree. The short answer is that that money will be put out as rapidly as we possibly can. I honestly can't explain to you why it is that that money is as yet unobligated. We have approximately seven months left in the fiscal year, and we have time to obligate it.

I would just emphasize that the stimulus request is above and beyond that figure, and I believe we can get all of it done.

Mr. **Regula**. Will you yield, Mr. Chairman?

Mr. **Dicks**. Yes. I yield to Mr. Regula.

Mr. **Regula**. Would the stimulus projects bypass the unobligated projects in terms of moving forward more quickly? In other words, priority-wise, which are you going to do first?

Secretary **Babbitt**. Well, the answer, Mr. Congressman, is all of them. They are not intended to be sequential projects. I believe we can commit to get the money out on all fronts.

Mr. **Regula**. Thank you.

NUMBER OF JOBS

Mr. **Dicks**. I think that is a good idea. Obviously, the economic stimulus program is important, but if you can combine that with what we have in the backlog and move it all out, we can, create even a more significant stimulus. Have you had a chance in looking at these major categories between the BLM, the Fish and Wildlife Service to anticipate how many jobs you think would be created?

Secretary **Babbitt**. Well, Mr. Chairman, we have had a lot of——

Mr. **Dicks**. I know that is hard to estimate.

Secretary **Babbitt**. We have had a lot of discussion about job creation, the methodology and the numbers. We estimate that this request will create directly 14,000 full-time equivalent jobs. Now, my guess is that because of the way these projects are put out, and because of the seasonal nature of a great deal of this work, such as the reforestation on the O and C lands in Oregon, the infrastructure repair in many of the national parks, that we will see a big bump-up across the summer and the job creation on a seasonal basis will be considerably above that.

But the direct full-time equivalent annualized job creation is about 14,000.

PACIFIC NORTHWEST

Mr. **Dicks**. Well, another thing I would just mention, and then I am going to yield to my colleagues for questions, you and I have had an opportunity to talk about the problems we face in the Pacific Northwest because of the listing of the Northern Spotted Owl and the Marbled Murrelet and the potential listing of other salmon species. And, obviously, the members of the Northwest delegation are concerned about habitat restoration and taking what we call I guess an ecosystems approach in the region.

We think that one of the ways to prevent future listings, to do what is I guess characterized as pre-recovery work, is to have people out there who have been unemployed, who have lost their jobs in the logging industry, actually hired through private contractors to go out and do stream bed rehabilitation and other kinds of work that will help offset the consequences of some logging practices, just urban growth, all kinds of things that have had this adverse impact on habitat or important indicator species. Do you think this proposal will have some impact on those kinds of issues?

Secretary BABBITT. Mr. Chairman, if I may, if there is one clear regional label in this package, it is the Pacific Northwest. You will see that reflected in the figures for the National Park Service and, more specifically, in the breakdown for the Bureau of Land Management, which in this case I must concede is more Oregon than Washington, because of the O and C lands.

The importance of the reforestation and riparian management issues are this: The riparian restoration, I believe, can put us in a much better position on the salmon issue. This work has been done at the State level in California with an enormous amount of success in restoring salmon runs. And, as you know, we are on the threshold of a large problem with a whole variety of salmon species in the Pacific Northwest. So this, I think, really is going to give us a lot more flexibility as we move toward that crisis.

The reforestation money is, I think, enormously important in getting us back in a sustainable mode on the O and C lands and other areas in the Northwest. It is not going to create trees for timber mills next year, but it will certainly in the long run make a difference. And that is just my way of saying that this really is resource investment money.

I understand there is a debate, and will always be a debate, about job creation in stimulus programs, in terms of the macroeconomic effects. But I can tell you that this package, in terms of creating real value of work that needs to be done to protect the resource base out there on the land, is a very good investment.

Mr. DICKS. Well, I want you to know that I personally appreciate your willingness to discuss these issues and to consider the very desperate situation that we face in the Pacific Northwest. And one of the things that we are looking forward to is the opportunity of working with you to resolve these endangered species issues we face today, and also working with you to try to see if we can't come up with a more rational approach for the future.

Mr. Regula?

INVESTMENT PACKAGE

Mr. REGULA. Thank you, Mr. Chairman, and welcome, Mr. Secretary. I look forward to working with you. I have a number of questions. In deference to my colleagues, however, I won't ask them all at this point.

Number one, what percent of this total of $460 million is for operations and what percent for permanent investment improvements and what percent for administration?

Secretary BABBITT. Congressman, I am referring to Mr. Lamb and his blue book here. Bob?

Mr. **Lamb**. About two-thirds of the dollars would go to operational accounts. About one-third to construction and other multi-year accounts.

Mr. **Regula**. How about administration?

Mr. **Lamb**. Within administration, very little. We have told the bureaus for them to move forward using existing staff. Now, there may be some need in terms of contracting offices and so forth to get a little bit of part-time help. But the guidelines the Secretary gave us was that these projects should be on the shelf, ready to go, permits done and so forth.

Mr. **Regula**. What is the spendout? In other words, does it take one year, two years, three years to spend all this additional money?

Mr. **Lamb**. The additional money is intended to be spent at the rate of 90 percent this summer. That is the general guideline, and, I must admit, that is a goal that has been set for us and one that we are taking seriously.

TYPE OF INVESTMENT

Mr. **Regula**. What happens? You receive up to two-thirds that is operation, so that doesn't give us any permanent investment, as the Secretary was talking about how these are going to be permanent investments in our future. The operational part is not permanent. It is going to be spent this year, if I understand you correctly, about $300 million of it.

And what happens to the people that you put on to spend that $300 million at the end of the summer or at the end of 1993? Are they back on the unemployment roles?

Secretary **Babbitt**. Congressman, I will take issue with Mr. Lamb in terms of his characterizations. I guess my point is that the reforestation, riparian improvement, all of these things, can be characterized as operational. But I would equally characterize them as investment, putting seeds in the ground.

Now, what happens to those people? If the economic premise of this package is correct and the unemployment rate begins to improve, there will be other job opportunities. We have designed this on the assumption that these people are not going to be carried forward on our payroll. It is not the purpose of the plan.

Mr. **Regula**. So you do envision most of the 14,000 jobs, if not all, as being temporary?

Secretary **Babbitt**. That is correct.

Mr. **Regula**. I note that, actually, when you match the dollars spent for the unemployment rates that a lot of it is going into states with a low unemployment rate. It seems to me that begs the issue. I recognize in part that is a reflection where the facilities are.

Secretary **Babbitt**. Yes, yes, they are. Nonetheless, people who are unemployed at this time—and the rationale of this is that the stimulus of getting money invested and out will accelerate and contribute to the economic recovery.

With respect to the relative match between unemployment and projects, Mr. Congressman, that was my call. I remember one of my predecessors, a guy named Harold Ickes who did a lot of this work in the 1930s, and had a long and difficult struggle with Harry

Hopkins, who was saying send the money; we don't care what happens. And my predecessor is saying, the Interior program is going to produce valuable lasting assets. I said to the people of the Department, above all, them, I want you to put the money where it is really needed.

Now, it does create some distortions, most noticeably in Virginia. People say, well, why Virginia? And I am saying because this Congress in its wisdom has seen fit to put up a large park infrastructure, the Shenandoah and Blue Ridge and elsewhere, and the road system has fallen to bits. So I am guilty as charged in terms of the relative lack of——

INDIAN SCHOOLS

Mr. Regula. In the package, you talk about keeping facilities open and preventing Indian schools from closing. What happens at the end of the year? Might we keep them open this year but at the end of the year they are still going to end up closing? I mean, do you create temporary expectations that in the end result in disillusionment?

Secretary Babbitt. Congressman, with respect to the Indian schools, I think it is fair to characterize that piece as a supplemental in the sense that there is a budget shortfall there as a result of large increases in the enrollment numbers in the BIA school system.

Now, I have programmed that into next year's budget. That will be picked up and, in a sense that particular item is——

Mr. Regula. You are saying there will be continuity on the operational dimension of this package as far as Indians are concerned.

Secretary Babbitt. Yes, sir. Those numbers are programmed into next year's base line budget.

FUNDING PRIORITIES

Mr. Regula. There is no question, we have heard repeated testimony in this Committee about the enormous backlog of maintenance needs. And I would hope, and without knowing all the specifics, that is what you are trying to address because that has a permanent value as opposed to make-work type of projects. I was just curious how you determined what the priorities were. You didn't have a lot of time, but did you have input from the troops as to what really had priority in the use of these proposed funds?

Secretary Babbitt. Mr. Congressman, in my desire to be remembered in the tradition of Harold Ickes rather than Harry Hopkins, what I said to the Department was we have a target number in the neighborhood of half a billion dollars. Will you surface for me from the agencies projects in the order of priority and importance? I saw the list, and I sent it back. I said, how come there is so much in Arizona? It violated my merit selection.

Mr. Regula. Jim Kolbe.

Secretary Babbitt. It has nothing to do with Congressman Kolbe's presence. I got back what I thought was a satisfactory explanation. The explanation from the Park Service was there are more Park Service units in Arizona than anywhere else in the Nation, and from the Bureau of Indian Affairs I heard it has the largest Indian population. I am partially satisfied with that answer.

MATCHING REQUIREMENTS

Mr. REGULA. I notice you propose to waive the matching requirements for historic preservation grants. I think this is a bad precedent because, historically, we have always tried to stimulate local involvement on things of this type, recognizing there has to be some dedication to the value of the project at the local level. Do you have a concern that you are going to set a bad precedent?

Secretary BABBITT. Congressman, I have asked that question, and I avow to you that I do not regard this as a precedent, and you may quote my language henceforth. We did this after a spirited discussion in which my staff said, we can't get the money out predictably onto the ground in this one-year time frame. I share your concerns and avow to you that I think it is necessary if we are going to serve the stimulus purpose. But I won't be back voicing that argument in the regular budget cycle.

WETLANDS RESTORATION

Mr. REGULA. I also notice that $10 million of this wetlands restoration is for use on private lands, which is somewhat unique, particularly given the fact that there is a backlog on public lands. I would be interested how you reached the conclusion that some of it should go to private lands?

Secretary BABBITT. Congressman, we have had a fairly substantial discussion about that as well. And the origin of that is there are a number of States which have these habitat restoration programs. They tend to be in the Midwest, and they tend to come in a couple of categories. One is the wetlands that are essential for migratory birds. A lot of it comes out of the Ducks Unlimited program and similar efforts. Some of it is the hardwood forest along the Mississippi, Missouri drainage.

The States in each case have said we need an enforceable, binding habitat conservation agreement. These are on all priority lists.

And my view was, I think it is worth going ahead with it and monitoring and watching and being prepared to justify this in a lot more detail if they go any further. I guess what I am saying is I understand your concerns. The States are saying to us, this is important. I am willing to make a modest waiver on that program.

Mr. REGULA. I am concerned that whatever projects are addressed here that they have sufficient planning. Are you satisfied that these will be directed on projects that have been properly developed over time and are recognized to have a long-term value?

Secretary BABBITT. Yes, sir, I am, principally because of the large backlog. And Mr. Lamb, I think, reinforces that when he says, we don't have any significant amount of administrative overhead in this request, because it is there.

BUREAU OF INDIAN AFFAIRS

The Bureau of Indian Affairs has been stacking the projects up, and they had a particularly tough time because their base line budget has actually been reduced in recent years because of all of these Indian water settlements, and a lot of the infrastructure is a particular problem. I was given an example by one of the Indians that a large number of buildings up at Silo Lake on the Navajo Indian Nation are being torn down, apparently because the maintenance was deferred so long that they are beyond repair. I just use that as an anecdote.

USER FEES

Mr. REGULA. How do you feel about user fees? Recognizing that this is a Band-aid, at best, and recognizing that long term we will continue to have a shortfall of funds that are needed to address maintenance, quality-of-life type of development in our parks, and BLM lands. Also recognizing that the pressures from the public will probably grow, and, therefore, there will continue to be a shortfall of funds versus what could be wisely spent. So I would be interested in your outlook on user fees as a way of redressing this.

Secretary BABBITT. Congressman, I am generally positive about user fees. I think as a conclusion that follows from my long argument that the use of public lands, timber, minerals, water, forest or recreation, ought to be compensated in some realistic fashion.

Now, the difficulty of user fees is it is a little harder to say what market value is. Nonetheless, I am in favor of the concept.

One interesting problem that I noticed as I have begun to circulate out and around among my troops is that a lot of the field people are very lackadaisical about collecting fees. A lot of times when you go into a national park after three in the afternoon you will notice that there is nobody in the toll booth collecting the fee even though it is clearly stated on the board outside. It is a nice example of human nature at work. The psychology is, why are we collecting these fees to pay, for example, for agricultural surplus payments or whatever?

And I would urge this Committee to continually ask, can we incentivize our own people—although we shouldn't have to. Nonetheless, do we, by allowing some portion of that to circulate——

Mr. REGULA. Fifty percent back to the park and the other 50 to the urban parks that can't collect funds.

Secretary BABBITT. Fair enough. You got a deal.

Mr. DICKS. We all have a lot of questions. Why don't we try to get through one round here, give everybody a chance, because we have other witnesses, too, that we have to get to. Mr. Skaggs.

Mr. SKAGGS. Thank you, Mr. Chairman.

PRICE TAG PER JOB

Good morning, Mr. Secretary, and a warm welcome. Both Mr. Kolbe and I just came down the steps from a similar hearing with Secretary Brown, your colleague at Commerce, and, Jim, I sort of followed up on your line of questioning. Unfortunately, you had left the room.

One of the concerns I had that is being expressed about the overall "stimulus package" is what might seem to be the price tag per job. I haven't looked at your particular numbers, but, overall, the package actually results in outlays in fiscal 1993 of only about half of the total $30 billion, which instead of involving a $60,000 per job figure, it is really more like a $30,000 per job figure, which I think gets it down into the realm of comfort level. Is that the way you sort of see this as fiscal 1993?

Secretary **Babbitt**. Mr. Congressman, I hadn't thought about it. I, just as you were talking, divided 14 thousand into my request, and it looks like it comes out at about $30,000.

Mr. **Skaggs**. And in addition to those jobs, we also have value added to the country's capital stock, if you will. Is that right?

Secretary **Babbitt**. Right. In my case, that is very clear. Because what we are doing is not only paying people, but purchasing materials indirectly and building infrastructure type projects.

IMPROVED MAINTENANCE

Mr. **Skaggs**. Again, just a quick look at your proposals. A lot of this is getting at long deferred maintenance, essentially. Is that a fair generalization?

Secretary **Babbitt**. I think in driving through a national park you will see what we are talking about just by kind of looking around.

Mr. **Skaggs**. At least everything I have ever heard is if you let this deferred maintenance activity lie, it is going to cost you—I mean it is preventive work, and if you don't get to it, the ultimate cost to us is going to be in an order of magnitude greater down the road. Is that again roughly in line with your view of this, as well?

Secretary **Babbitt**. I certainly share that view.

BUDGET AGREEMENT

Mr. **Skaggs**. One final thing in terms of the overall budgetary picture on this. Is the package that the administration is presenting to us within the caps agreed upon in the 1990 budget agreement?

Secretary **Babbitt**. Help.

Mr. **Dicks**. This is an emergency.

Mr. **Skaggs**. But, even though it is an emergency, my understanding is that, overall, this lies within the total still remaining under the 1990 budget caps for fiscal 1993.

Secretary **Babbitt**. That is my understanding.

Mr. **Dicks**. A moment of silence.

Mr. **Skaggs**. I just wanted to get those points on the table.

Mr. **Dicks**. Mr. Kolbe?

Mr. **Kolbe**. Thank you, Mr. Chairman.

Mr. Secretary, welcome. Welcome to Washington and welcome to the committee. It is a pleasure to have you here today. I just can't help but follow up on Mr. Skaggs' last comment. So, ergo, there is no deficit increase because this falls within the caps.

Mr. **Skaggs**. I didn't say the ergo.

GAO REPORT

Mr. **Kolbe**. I should be delighted.

As you pointed out, Arizona, next to I guess about $100,000 in Reston, California, gets the most money here. I should be thrilled with this huge infusion of funds into Arizona.

I would just like to read, though, from a GAO summary. It was done following the 1983 emergency jobs. Remember, we had a depression, or a recession 10 or 11 years ago. We had a similar kind of a program then, and the GAO did a study in the Republican administration: "Implementation of the act was not effective and timely in relieving high unemployment caused by the recession. Funds were spent slowly and relatively few jobs were created when most needed in the economy. Unemployed persons received a relatively small proportion of the jobs provided, and second, project officials' efforts to provide employment opportunities to the unemployed ranged from no effort being made to working closely with State employment agencies to locate unemployed persons."

What reason do we have to believe this is going to be a different kind of program?

STIMULUS PROGRAM

Secretary **Babbitt**. Mr. Congressman, I think there are two issues here that make this potentially different. First is the speed with which we get these outlays made. I think the 1983 report was properly critical of appropriating monies only to watch them move outward in later phases of the recovery, in which case, in economic terms, they had no positive effect and at least in theory could have a negative effect.

So my part of this package is premised upon the ability of this Department to get all of these outlay commitments made across this budget cycle.

Now, what do I mean by that? Certainly through the summer, by the end of this year, it is my intention to have this money committed and out.

The second issue that I think is at least a part of what your quote misses is that there is value being created, at least in this Department, for these projections. I can turn around and say, look, there is what we did. That has real value.

Mr. **Kolbe**. Well, that can be done at any time, I suppose, on any job.

The GAO report also concluded that this kind of stimulus is most effective at the beginning of a recession. Would you say that we are at the beginning of this recession?

ECONOMIC RECOVERY

Secretary **Babbitt**. No, we clearly are not. We are into a recovery cycle. The difficulty of that is there is a deficit of at least three million jobs over the jobs that ought to be on line at this stage in the recovery cycle.

Mr. **Kolbe**. Well, Mr. Secretary, from the last economics course I took, unemployment was always a lagging indicator, and, indeed, if employment increased more rapidly, it would mean productivity was going down. So it is a good sign that employment lags because productivity goes up and the economy is stimulated by virtue of that.

Secretary **Babbitt**. Well, but the problem here is that it is lagging a lot more than it ever has, and that suggests to me that there are some structural differences in this recovery. We have an enormous amount of unused capacity.

OPERATIONAL COSTS

Mr. KOLBE. I have to swallow real hard to think that summer youth jobs is the structural changes that we need to create long-term employment in this country.

I think we heard a very revealing figure when we heard that one-third is for construction, two-thirds is for operations. Now, either that means that we are going to have these new facilities unmanned, unoperated, uncared for after the end of this year or we are really going to see a continuing budget cost from these. This is not a one-time budget outlay.

Secretary BABBITT. Congressman, I think we are all using this word operations in different ways. And here is what I think the source of confusion is. There is a great deal of this budget devoted to restoration of natural and cultural resources. Reforestation, assistance in riparian work, that kind of work which falls under operations. But it is a one-time project. We are not coming back asking to pick that effort up in our regular budget.

UNOBLIGATED FUNDS

Mr. KOLBE. If what is needed is a quick infusion, why not get these unobligated balances out?

Secretary BABBITT. We will. We are, and we will.

Mr. KOLBE. Well, that is more than the amount that you are going to get in this stimulus package. Get those moving and you will have the stimulus you want.

Secretary BABBITT. We are, Mr. Congressman.

Mr. DICKS. Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. Good to see you again.

Secretary BABBITT. Mr. Congressman.

UNEMPLOYMENT

Mr. COLEMAN. As one of your neighbors out west, in the western part of Texas, I can assure you that I don't find it too hard to swallow that summer jobs can, in fact, mean a good deal to people in my congressional district. I was looking at the 1983 unemployment numbers——

Mr. DICKS. 1993?

Mr. COLEMAN [continuing]. 1983 unemployment numbers—of 12.3 percent, which was high. Since that time, of course, we have now gotten it down to 10.8. The concept that it is good and that unemployment lags isn't such a good sign to that young person or those individuals who are unemployed. And I want to congratulate you for this effort. I think that it can mean a good deal. And certainly I think if you talk to anyone in the education arena, anyone who understands the importance of finding jobs, temporary though they may be, it is oftentimes a great beginning. So, Mr. Secretary, I am very, very pleased indeed with your proposals.

NATIONAL PARKS

I would share the concern of my colleagues that while we talk about the erosion of the base budget for the national parks, we know how devastating it has been. I want to ask you, overall in your future proposals, how we plan to deal with preventing the further erosion of our full-time employees in that service, and particularly with the budget constraints that we will be facing. I was wondering if you had done any planning along those lines.

Secretary BABBITT. Mr. Congressman, the issue of the national parks is addressed in my fiscal year 1994 budget. I think within the constraints of a base line budget, we have reallocated a substantial amount of resources to the National Park Service. It is not going to solve all of the issues. But that is surely the first step and that comes as a result of sort of taking other areas of the budget and effecting some economies in them.

UNEMPLOYMENT, SUMMER JOBS

Mr. COLEMAN. I wonder how I could be helpful in trying to get your department to pay attention to those segments in various states. I noticed that there was concern by the Ranking Member about the fact that we had a lot of it going to States with lower unemployment rates, yet in fact some segments, some pockets in those States have high unemployment rates, and in fact I cited one in my district, for example, along the U.S.-Mexico border.

As you are well aware, high unemployment is fairly much called the norm, I suppose, and there are a lot of us that believe that is still unacceptable. A lot of us would ask—those of us who represent the U.S.-Mexico border portion of our country—how it is that we could get your department to help us in providing the southwest region of the Park Service and the Indian reservation some priority in terms of those funds are distributed, particularly in the summer jobs program.

Secretary BABBITT. Congressman, I agree with that. I think that it is important to look behind the averages. The unemployment rate on Indian reservations, a large number of them in New Mexico and Arizona, runs up to 30 or 40 percent. There is no question that this is a serious issue. With respect to the border area, I would only add that I think there are some excellent opportunities coming up in the park system for a national park effort.

Big Bend is surely one of the foremost examples of that. I think there are some at Pintada and Dorgan Pipe in Arizona. It is not an issue that is directly discussed in this budget, but it will be in the NAFTA discussions and elsewhere.

COMPENSATION EQUALITY

Mr. COLEMAN. Let me thank you very much. Let me only explore maybe one other area with you, a place where we could begin to coordinate with one of our other subcommittees, Treasury, Postal Service, and general Government, the committee I left to serve on this Committee.

There was a story on a CNN report, or one of those news reports, concerning a number of park employees. I think it mainly dealt with park employees and the fact that their pay was not comparable to that of the Forest Service, I forget exactly—you may have seen it. It was about a year ago, and that concerned me.

As a Member of Congress who tries to believe that all of our employees, whether they work for the CIA or whether they work for the Border Patrol or the Parks, we certainly have a responsibility to them for their safety and for their well-being. On behalf of the taxpayers, certainly, we are responsible to see to it that after people are trained that we retain them.

I don't know if you had had a chance to look at that issue and whether or not there is something this committee could do, maybe, in consultation with the Treasury Committee. I was at least led a year ago to believe that it was a big problem.

Secretary BABBITT. Congressman, it is a substantial problem, and I have not been able to solve it on a short-term immediate basis. The problem is that in the National Park Service, perhaps understandably, historically we have traded on the idealisms that motivates people to join the National Park Service. The waiting list for entry-level ranger positions is incredible, because it is an enormously desirable job. In a sense, you don't have to raise salaries at the entry level to attract people. They are already there.

My impression of what has happened is that, perhaps, 10, 15, 20 years ago, the inequities in the salary structure really show up. And all of a sudden a ranger who didn't mind starving on the way in has got a couple of kids and a family and a housing problem.

I think you have identified a problem and I suspect what I must do is come back in due course with a multi-year equity plan which moves them toward parity.

Mr. COLEMAN. I appreciate that, Mr. Secretary. When we have families, we worry about our children's education. I think losing them, those that have become experts indeed, in their own areas, and many of them have, as you know, have become certainly very qualified. I think we do a disservice to the taxpayer in this country in not attempting to retain the quality people, many of whom I have had the opportunity to meet. And I thank you for that statement, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. DICKS. Mr. Packard?

Mr. PACKARD. Thank you, Mr. Chairman.

A warm welcome to the committee and to the administration, Mr. Babbitt. It is a pleasure to meet with you and to have you here. I think a fundamental question that some of us, particularly on the Republican side, struggle with—and I don't know that an analysis has been done or will be done—and that is the basic question, would adding $30 billion in the deficit produce more jobs and stimulate the economy more than not? And that of course is fundamental and perhaps we may think differently on that.

But certainly it does come into play. I don't think an analysis has been done as to subtracting $30 billion from the deficit; would that stimulate the economy more than what it would by adding to it.

My questions, however, don't get into that because, again, that could be philosophical in nature more than it is substantive. But relative to your package, or virtually all of it, is considered to be emergency in nature. And I guess I wonder if in fact these are emergencies, or are they ongoing programs, particularly the operational portions. Are they emergencies? And how do you define an emergency?

And then, what will be the long-term effects of identifying these kinds of programs as emergency in terms of future priorities and future activities, and how it will effect the base line budgeting process of the future?

Secretary BABBITT. Congressman, I recognize that emergency is a relative word, but it does fit pretty well here. The entry road to Mesa Verde National Monument has been undermined and is ready to be sort of totally destroyed by flooding. The storm damage at Gateway National Park has left that area in a mess. The roofing problem at Yellowstone is an emergency in the sense that the building maintenance deferred too long sort of destroys the capital asset.

The natural resource restoration issues don't, perhaps, have quite as immediate a sense about them, but we are moving against deadlines which will arise out of the Endangered Species Act in these ecosystems and which I think make a strong statement in favor of doing it now rather than later. There are very few carryover commitments.

This package is a one-shot stimulus package. One has been identified; this was the Indian education piece. But it doesn't create an additional burden, other than the existing formula funding requirements that are in law now. There are some summer programs in here in terms of supplemental health, the ranger forest in the National Park System.

I suppose, to be absolutely candid, you could view that as an implied commitment out there in the future. It is seasonal employment, and I will have to deal with it in next year's budget. And there are more resources going to the Park Service in fiscal year 1994, which will, I believe, pick a significant amount of that up.

Mr. PACKARD. Normally, emergency appropriations become a part of the succeeding year's budgeting base line, and is that the intent here, or if not, then it would truly be a one-year thing, but would not add to the base line for the preceding year.

Secretary BABBITT. Congressman, that is clearly not my intent. It doesn't mean I won't be back next year if you will allow me hinting about that. But in seriousness, most of the line items, if you tracked them through here, I think you can see are not susceptible to that kind of argument, because they really are infrastructure style proposals. They have a part which has been characterized as operations which is in fact reforestation, riparian and improvement, wetlands, and they are also, if you will, infrastructure investments. That word is not used, but it seems to me that is really what they are.

Mr. PACKARD. Mr. Coleman, Mr. Kolbe and I all represent states that are border states. In my case, San Diego County, that is in part of my district.

Mr. DICKS. I want you to know that Washington State is a border State.

ILLEGAL ALIENS

Mr. PACKARD. Employment of noncitizens is a major problem. Is there any—what efforts, what policy at the Park Service, at the Department of the Interior, relative to having these jobs, temporary as they are, go to undocumented aliens?

Secretary BABBITT. Mr. Congressman, I have not raised that specific question with my agency. It is my understanding that under current law, it is illegal to hire undocumented workers, and I would assume that my agency——

Mr. DICKS. Especially if you are trying to be Attorney General of the United States.

Secretary BABBITT. Mr. Congressman, I hear your message and I will convey it.

Mr. PACKARD. It would be worthwhile to see what kind of an enforcement policy you would have in the use of these additional funds. That is all I would have for this round.

YOUTH CONSERVATION CORPS

Mr. DICKS. All right. A program that we have kept alive, Mr. Secretary, during the 12 years of the Reagan/Bush administrations is the Youth Conservation Corps, and this is a program that I have taken a particular interest in. We have, I think, been able to keep about a million dollars a year in funding for the YCC through the Forest Service, the Park Service and the Fish and Wildlife Service.

And you know, as you look at summer employment opportunities, this program has had an enormous positive consequence for younger people who have an opportunity to come up, work in our facilities. We had to give up on the Young Adult Conservation Corps. We had two of these programs. We couldn't hold them both, but we have tried to keep the YCC alive. It has been done out of existing funds.

You know, we are talking about a very substantial summer employment program for youth. I hope you take a look at whether we could do something in this arena as you look at employment opportunities for younger people.

YOUTH PROGRAMS

Secretary BABBITT. Congressman, if I may respond with an anecdote, perhaps not directly on point, it is my own belief and experience that youth employment programs are, within the constraints of budget reality, a very important concept, provided that they are real jobs and that there is real supervision.

Now, during my tenure in Arizona, I had a very difficult time conveying these concepts and getting agencies to understand what this was all about. In a fit of frustration, I called up the adjutant general of the National Guard and I said, you have the following projects on public land with the following leadership, and I showed up and I personally led a couple of work crews of kids. And the National Guard were the only people who would catch on to the idea.

And I invited all the State agencies out. And I had them stand along the forest trail and watch this project. And they went home and I think they are probably getting the idea. The bottom line is, I am a believer.

Mr. DICKS. Yes. Well, you have somebody—what is his name? There is a gentleman who has been head of youth programs within the department. What is his name?

Mr. LAMB. Ira Hutchinson.

Mr. DICKS. He is not here today, is he?

Mr. LAMB. No, he isn't.

Mr. DICKS. He is a fellow employee whom I think has done an outstanding job working over the difficult years in order to deal with this issue. And in our State, we have seen a lot of very positive contributions in parks, in state—and the State has had a program of this nature in Washington State. I would hope you take a good look at it and talk to this fellow and I think he can show you that they are producing some results with very minimum funding.

Are there any other questions of the Secretary?

Mr. KOLBE. Yes, Mr. Chairman.

Mr. DICKS. Mr. Kolbe.

Mr. KOLBE. Thank you, Mr. Chairman. Let me start this second round here with a couple of questions on some specific areas. I was admonished this morning in State, Commerce, Justice by Secretary Brown that this needs to be considered as a package, as a whole package, so I would like to talk about parts of the whole package.

Secretary BABBITT. Congressman Kolbe, I guarantee you I will not admonish you.

MULTIPLE USE

Mr. KOLBE. Oh, I am sure. He reminded me that it needs to be considered as part of an entire package, so I would like to talk about some pieces of the entire package.

Do you believe in the concept of multiple use on public resource lands?

Secretary BABBITT. Yes.

Mr. KOLBE. I noticed in your confirmation hearings you said in your answer to a question, quote, "I intend to do my very best to reconcile the conflicts and keep the industry on the land for the good of the west." We are talking about cattle grazing, and "there may be ways of restructuring incentives to better management or a substitute in lieu of increments in the grazing fees," unquote.

Well, we don't have any reconciliation of conflicts here; we don't have any restructuring of incentives, we just have a huge increase in the grazing fee. What happened?

Secretary BABBITT. I encountered on my way across town Mr. Panetta at the Office of Management and Budget. Now, if I may, when I saw these figures, I said to Mr. Panetta, what do you mean by this? He reminded me that he was once a Member, until very recently a Member of this body, that he was intimately familiar with all of these resource issues; that it was OMB policy; that my department was to move forward market pricing of resources.

And he then reminded me of something that I hadn't really appreciated, and that is that the revenue assumptions are an integral part of my budget, unlike State government where revenue assumptions are in some measure unlinked from the outlays. And he then smiled and said Bruce, do you think you have adequate incentives to reach into this?

Now, having said that, I believe that the revenue assumptions in there are subject to a great deal of additional processing; that specifically how they are worked out is very much in the hands of this body in the case of the Mining Act of 1872; that the grazing fee issue will have to be worked out by myself, together with Secretary Espy, together with this Congress.

And at the same time that I say I understand the message in the budget; I believe there are a lot of details still to be worked out, collectively. The direction is clear.

MINING

Mr. KOLBE. Well, I could go on all day on that one, but let me quickly on the subject of mining, because I have a question that Mr. McDade asked me to ask since he couldn't be here this morning. On mining the plan phases in a 12.5 percent hard rock royalty, how did you arrive at this percentage? The bills we considered last year in Congress that some of us thought were onerous were far less than that.

How did you come to 12.5 percent royalty?

Secretary BABBITT. Congressman Kolbe, that is not my figure. That is Mr. Panetta's figures, which he placed in that budget in the exercise of his highly informed judgment and prior experience in this body.

Mr. KOLBE. The studies done at the time that we talked about a 5 percent royalty, suggested that that would result in a loss of 45,000 jobs. Have you calculated in the loss of jobs in your new figure—the plan that you want to achieve here. Has the loss in the mining industry been calculated in this?

Secretary BABBITT. Congressman, I don't buy the job loss theory. In my experience, we had a structure on State lands and I did not ever see a single indication that the income stream to the State was creating any job loss.

Mr. KOLBE. You see no competition with Chile, for example, in copper; and a 12.5 percent added tax, you do not see that as any disincentive to development of new copper resources in the United States?

Secretary BABBITT. I think there is a fair debate about what the level of royalty ought to be, but I do not believe that the major criterion of that discussion, or of the economics is job loss, no, sir. I do not. I saw no evidence of that during my tenure as governor or my experience with a whole variety of other States which use royalty figures routinely.

Mr. KOLBE. Well then, surely, Mr. Secretary, it ought to be 100 percent so we can get more revenue, shouldn't it?

Secretary BABBITT. There is some fungibility on the supply side of the copper industry. If isn't exactly a perfect market. There are enormous marginal costs in producing copper abroad. There are enormous marginal advantages in producing at home, and would a 100 percent royalty affect the copper industry? Yes.

But does a 4 to 5 percent royalty, the type that is levied in many States, have any significant impact? Not that I can see.

DISTRIBUTION OF JOBS

Mr. **Kolbe**. Mr. McDade asked me to ask you this question because of an amendment he is going to suggest. Was there any mandate that jobs be given to unemployed individuals for this program?

Secretary **Babbitt**. Not in my case, no.

Mr. **Kolbe**. The question was asked because of the GAO 1986 report that I was referring to earlier suggested that unemployed persons received a very small proportion of the jobs in the economic stimulus package. There was no effort to ensure that any jobs went to unemployed people.

Secretary **Babbitt**. Congressman, let me if I may elaborate on my answer a bit. Obviously, the targeting that is implicit in the Pacific Northwest, for example, is aimed at a market where, it seems to me, almost certain that the communities affected by the programs are going to be communities with an enormous amount of unemployment. I think you can say the same thing with respect to the BIA expenditure, that, by and large, those will be out of an Indian labor pool where the unemployment rate is astronomically high, so there is obviously a correlation there.

To the extent that there are summer jobs in there, I think it is fair to say there is a much closer correlation between unemployment and the job. Where there is less correlation, I suspect is where you are contracting out facilities maintenance. If you are contracting out a reroofing job at Yellowstone, the nexus it seems to me is not quite so tight. But there is a lot of implicit targeting in the selection of the kinds of things that are being done.

HIRING UNEMPLOYED WORKERS

Mr. **Kolbe**. Well, in light of that comment, would you have any objections to language that would direct, require, or attempt to in some way urge you to hire a large proportion, whether it is a specific number or whatever, that are certified as unemployed by State employment agencies?

Secretary **Babbitt**. Congressman, As a sort of criterion in the form of direction as something to be considered, I think that is reasonable. Here is the problem. If we are doing road work at Grand Canyon National Park, we typically do that by putting out a bid. An increase in road work is obviously going to flow through the contracting process out through the hiring practices of that construction company, and there will be an aggregate increase, at least in theory, in the employment base.

Now, I don't think it is good politics or policies to direct me to say when you contract road construction at Grand Canyon, require the construction company to certify that the next marginal worker that they employ is off the unemployment roles, because if they hire a marginal worker, no matter where that worker happens to be positioned in the labor force, there is going to be a ripple effect which should pick up unemployed people.

Mr. **Dicks**. Thank you, Mr. Secretary.

I just want to get a couple done and then we will finish up here, because we have two additional witnesses.

Mr. **Packard**. Okay. I will be short.

BIA FUNDING

Mr. DICKS. Regarding the Bureau of Indian Affairs now, and we may want to have staff help here, what portion of this funding—this is talking about money provided to Indian reservations—what portion of this funding do you expect to provide through Public Law 93-638 contracted?

Do you have enough contract support funding to provide this additional level of self-determination contracting?

Secretary BABBITT. Mr. Chairman, I can answer that in general. I don't think the level of support staff is the major issue. The major problem with 638 is that it is a very complex process, and the growth of contractors who qualify under 638 has been, as you know, a slow and difficult process.

And I believe, the BIA and the other groups will say yes, we are going to try as hard as we can. I don't think it is realistic to say that every single dollar will meet those criteria. Otherwise, we won't get the stimulus done. So we are going to be balancing the two and pushing as hard as we can, saying we have to get the money out. We will use the 638 process as much as we possibly can.

Mr. DICKS. Linda, do you want to comment?

Ms. RICHARDSON. Mr. Dicks, for the School Equalization Program, we have money included for administrative cost grants that would pay administrative cost grants, 80 percent of the rate associated with the increment. For the forestry programs, almost all of that will be contracted under 638. About 60 percent of the road maintenance will be contracted under 638.

The language that we included with our request indicates that, within the program funds themselves in the stimulus package, the 638 contract support costs would be funded because we do not have excess contract support funds available this year in your regular appropriation.

Mr. DICKS. Did you have the time to consult with the tribes on any of this?

Ms. RICHARDSON. We had a national budget meeting with tribes last May at which the tribes expressed their interests and their priorities for the Bureau. So that was fairly recently that we had that.

Secretary BABBITT. Mr. Chairman, I can do better than that. I have consulted with the leadership of the tribes on two or three occasions in the last 30 days in which we have discussed the imperative, making certain that the tribes, through the BIA, get their share, bearing in mind all the needs.

And what the tribal leaders said to me, and what came out of this discussion is we said, look, this program is, by its very nature, an emergency quick project. And their advice to me was, we are going to judge you by the relative fairness of our allocation, and we understand that has to be done quickly and there is some mechanism for participating on a line-by-line analysis of the project. We have to trust you to bring the prioritized projects out of the pipeline.

Mr. DICKS. The only thing is, you know, every year we have these hearings and we listen to the tribes come in and, you know, the requirements for housing, irrigation projects, range improvement, I mean they have a lot of unmet needs, and we are just curious about how you selected out what things to do and what things to defer at this juncture.

Secretary BABBITT. OK.

INDIAN SCHOOLS

Mr. DICKS. One other question. Going to the question of school operations, administrative costs—there is a shortfall there, as you know. When will this shortfall create problems for the schools involved?

Secretary BABBITT. I think the answer is, Mr. Chairman, in the next couple of months.

Mr. DICKS. What will be the impact if these funds that are not provided, both for the ISEF formula, and for the administrative cost grants?

Secretary BABBITT. If the funds aren't provided, we have a real crisis. I mean, basically, there will be layoffs of the teacher work force in many parts of the system unless we come up with some other form of supplemental.

Mr. DICKS. Right.

Secretary BABBITT. Or reprogramming.

Mr. DICKS. So in your judgment, these are crucial funds?

Secretary BABBITT. Absolutely. And this is not in my judgment the result of any, you know, oversight or sort of administrative error; it is just that the figures come up a lot faster than anybody anticipated.

Excuse me, Mr. Chairman. Mr. Lamb, my trusty aide here, has said that without this money, there will be 30-day RIF notices in the next two weeks. Now, obviously, that describes the emergency. Absent this, we would be up with an emergency reprogramming request of some kind, and we are in fact doing that.

Mr. DICKS. Mr. Packard, I want you to know I was in California yesterday.

Mr. PACKARD. I flew back with two other colleagues that were out visiting. It is always good to have you come into my State.

Mr. DICKS. We enjoyed it.

PRIORITIZING PROJECTS

Mr. PACKARD. Two brief questions, Mr. Chairman.

Mr. Secretary, there is always the dilemma here when we have new pots of money, and $30 billion is a significant pot of new money, for the difficulty that we face of special earmarked projects versus really following priorities. You addressed briefly in your initial comments the priority process.

Are most of these funds that you will have control over, what is it, almost a billion and a half dollars, will they go to projects that are high on your priority list, or will they be available for special targeted projects? Will we avoid the pork barrel project?

Secretary BABBITT. Congressman, I will never bend to inappropriate requests. On the other hand, I recognize the appropriateness of most requests. Seriously, as I work my way out of that one——

Mr. PACKARD. I couldn't help but notice that West Virginia, for example, is low on the priority list, and it will be interesting to see the final outcome.

Mr. **Dicks**. We will worry about that in conference.

Secretary **Babbitt**. We are moving off the trail real fast. Let me just say this: This department, I believe, can very rationally and productively handle this. The reason is that we are an operating agency with 80,000 employees and a set of infrastructure, and we are not really in the passthrough business where so many of these kinds of problems get created.

We are basically painting and replumbing and repairing our own house and cleaning up and replanting our own yard, and I think that makes it really much easier to say to you, look, this is real stuff; we are aware of the priority issues and we will stick to them.

ENFORCEMENT OF THE ENDANGERED SPECIES ACT

Mr. **Packard**. Last question is in regard to the conflict that seems to appear between the purpose of this stimulus package versus the Endangered Species Act and its concepts. The spotted owl, of course, in the Northwest; we are dealing with the gnat catcher in the south coastal plain, and when they are declared on the endangered species list, we lose a lot of jobs.

The purpose of the stimulus package is to try to create jobs and stimulate the job market. And of course the Endangered Species Act does not allow jobs to become a factor in determining the endangered species and how to deal with it.

Is there a conflict in your mind, and how can—I only bring it up because, of course, the Endangered Species Act is such an important part of your new job. I would be interested in your attitude relative to that conflict as it appears between the stimulus package versus the——

ENFORCEMENT OF ESA

Secretary **Babbitt**. Mr. Chairman, if I may, first of all, I share your sense of concern about making this Endangered Species Act work. I take mild exception on this issue that the Endangered Species Act does not allow the job calculus to enter. I think it clearly does not in the listing process. I do think in the habitat conservation plans and the post-listing issues, there is an economic component.

I am not sure it has always been adequately dealt with, because it is my feeling that we have not—collectively, all of us—have not done a particularly good job with the Endangered Species Act. We have allowed things to drift to crisis and then let the courts run things.

I had a conversation with you prior to this meeting about some of the proactive habitat conservation issues. California, at the State level, has been a leader in this area, and Fish and Wildlife, to its great credit as well. And I think that a great deal of our ability to make this work and to say to the American people we can do both is going to come in our ability to run these front-ended planning pre-crisis, multi-species kinds of plans.

Now, with respect to this job stimulus package, the one place where I think that it reinforces these front-end efforts is in the money that is earmarked for habitat restoration, and riparian work, particularly in the Pacific Northwest where what we have coming at us is a multi-species problem, right behind the spotted owl. This involves the Marbled Murrelet, the salmon, and a whole variety of other species.

And to the extent that we can do meaningful habitat restoration work, I think we are going to free up the space in which to create these habitat conservation approaches which will avert the listing, similar to what you are trying to do in Southern California, and a concept which I enthusiastically support.

Mr. PACKARD. I sincerely appreciate your comments on that. I think that we do and should and can do a better job of balancing the economic impact, the job impact and the environmental impacts as we address these rather sensitive issues.

Mr. DICKS. If the gentleman would yield, I had a chance to look at the list of potential species in California. It is the longest list in the entire country. And some kind of a state-wide effort, I think like we are talking about in Washington, Oregon and Northern California, we are in this together, is going to be crucial, or we are going to wind up with I think another tremendous economic body blow to the Pacific coast states.

Mr. PACKARD. There is no question, Mr. Chairman, it is having a major impact upon the joblessness in our State, and I am sure it does in the Northwest, as it is impacted by the Endangered Species Act.

Mr. DICKS. Mr. Secretary, this is an extraordinary honor today that we have the subcommittee Chairman of the Defense Appropriations Subcommittee, who also is the vice chairman of the Interior Subcommittee, Mr. Murtha, and we are going to recognize him at this moment.

Mr. REGULA. Mr. Chairman, I wonder if Mr. Murtha is going to furnish the money for this economic stimulus package.

Mr. DICKS. He has been furnishing the money for everything else.

Mr. Chairman.

INFRASTRUCTURE WORK

Mr. MURTHA. I applaud what the Secretary is recommending because he has addressed so many of the things we have been trying to do. Every time we visit a park or something else in our jurisdiction, it is clear they are underfunded. So I enthusiastically endorse the proposals you have made.

I was a little disappointed there wasn't more money in for Indian health care. I don't know whether the projects couldn't have been ready quickly enough or what. That certainly is an area where I have a great concern due to having visited those places a few times. Over the last seven or eight years, I've been thinking about how terrible the conditions are and how difficult it is to take care of those folks health-wise.

I also wonder about the roads. Will we take care of the roads in the bigger parks? I remember a couple of years ago Glacier and Yellowstone had major problems. Does this address this?

Secretary BABBITT. Mr. Murtha, there is a prioritized list and I think I can say to you that there is some relief in all of those areas. Obviously what we have done is to try to get at the worst problems first. A great many of them happen to be in Virginia in the Blue Ridge-Shenandoah complex, which is so heavily dependent. There are a number of emergency road projects. I alluded earlier to Mesa Verde National Park where the road system is really in threat of destruction with a lot of flooding and erosion.

We do have other projects in Bryce Canyon, Golden Gate, Lake Meade, Mesa Verde, and Yellowstone. Yellowstone has what I think of as a "chip and seal" problem, to preserve the existing road system. The answer to your question, as Mr. Lamb whispers in my ear with documents is, yes.

Mr. MURTHA. How about Glacier? Ralph Regula and I were out there. And we saw the conditions of the roads. If they are not repaired quickly, it would cost a lot more in the long run, to repair. These weren't just little access roads, they were major roads also Mr. Secretary, do you have some money in there for Glacier?

Secretary BABBITT. Mr. Congressman, I am impressed that even though Glacier is not in Pennsylvania that you are interested in an extraordinary national park. Yes, I will have a look at it. I can't tell from this.

Mr. DICKS. This is an unusual event.

INDUSTRIAL REVOLUTION

Mr. MURTHA. Moving to Pennsylvania—Mr. Secretary, I wanted to mention to you a project which this committee has been funding to preserve the historical—significance of the industrial revolution.

Mr. DICKS. We want to preserve that, of course.

Mr. MURTHA. I hope you will take a look at what we are trying to preserve which was established under the Secretary of the Interior. Our project tells what happened during the industrial revolution, and the role Southwestern Pennsylvania played in our nation's westward movement. We're working on canal projects, railroad projects such as the Horseshoe Curve, and national historic sites. We never have been able to focus on these in the past and we are starting to focus on what the people did during this period.

I hope that as you go through your deliberations for this year's budget, this is something that you would look at. I would like to come over and visit with you about our project in the future.

Secretary BABBITT. Mr. Murtha, I am generally familiar with this undertaking and I certainly support the concept and would be delighted to explore it with you.

Mr. MURTHA. Thank you very much.

That is all I have, Mr. Chairman.

Mr. DICKS. All right. Mr. Secretary, thank you for your testimony. We are going to keep moving right along here, and we look forward to working with you.

Mr. Regula, do you have one final question?

Mr. REGULA. Yes. You were governor of a State for nine years. Did you have a requirement, and this is a macroquestion, for a balanced budget in your State constitution?

Secretary BABBITT. Yes, sir.

Mr. REGULA. Would you feel that we should have the same thing at the Federal level?

Secretary BABBITT. Could you dismiss this from the proceeding, Mr. Chairman.

Mr. DICKS. I will grant you immunity.

Secretary BABBITT. Let me just say that I appreciate very much the work of this committee and the efforts that you have made in past years when we have not always submitted a base line budget to bring to the initiative of this committee to keep us on track. And I just want to say that I really appreciate it and I look forward to working with you, and I am grateful for your efforts.

Mr. DICKS. Mr. Regula has a more serious question.

Mr. REGULA. A lot of times we build facilities and we don't have the money to operate them adequately. Are you evaluating any projects that will be built under this to ensure that the money to operate them properly will be available over the long period of time?

Secretary BABBITT. Mr. Congressman, there is not to my knowledge anything in this project that is kind of a new budget commitment because so much is repair and upgrading and kind of taking care of the house we have got. Now, if I may elaborate one step further, I do think that my real challenge is going to be to come back to these committees with a sense of priorities about what we do next in the national park system.

The plain fact is that what used to be local in big parks in the west is now a national system with enormous support and public demand, which is reflected in the individual priorities of Senators and Congressmen, and all I can say is, I am delighted to be dealing with the problems of an abundance of demand. I know it is difficult.

I will do my best to come back with a sense of priorities, which also reflects a certain amount of realism about the will this Congress expressed in its many labyrinthine ways, and see if I can keep us all moving together in the meantime.

[Discussion off the record.]

TUESDAY, FEBRUARY 23, 1993.

FOREST SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

WITNESS

F. DALE ROBERTSON, CHIEF

INTRODUCTIONS

Mr. DICKS. May the Committee come to order now.

We are now going to have the statement of Dale Robertson, the Chief of the Forest Service, Department of Agriculture. Dale, it is good to have you here before the Committee, and I want to just say how much I appreciate all the effort that you have put in to try and help those of us who represent areas that have been hard hit by the Endangered Species Act, and cutbacks because of court injunctions that effect the spotted owl, the Marbled Murrelet, and other species, such as salmon.

We are facing, as you know, an extraordinarily difficult situation in the Pacific Northwest, and I just want you to know how much I appreciate your help and cooperation. You know, this year we were able to put a little money in to start some streambed rehabilitation, some important projects on the Olympic Peninsula, which is dear to my heart, and you know, we are going to very much need your help and cooperation. But I do appreciate that.

Why don't you go ahead and proceed with your statement and explain to the Committee the part of the stimulus package that the Forest Service is responsible for, and how you put it together.

Mr. ROBERTSON. Thank you, Mr. Chairman. I will just give a brief summary of what the Forest Service economic stimulus package is. It involves $188 million, and this will do two things. It will put at least 8,000 unemployed people to work, and it accomplishes some very high priority work on the national forests.

Our program on the national forests is very focused. About 85 percent of this money will be targeted to reducing our backlog of maintenance and reconstruction needs for recreation, trails, and administrative facilities. The other remaining 15 percent will be targeted to high priority ecosystem restoration projects such as watershed improvement projects, restoring damaged riparian areas, wetlands, restoring fish and wildlife habitat, rehabilitating some abandoned mines on the national forests, and also, some projects to improve the health of the forest.

These projects have been carefully selected so that we are focusing on work projects that are the highest priorities in the areas of the highest unemployment. And also, we have screened these projects so that we can undertake them immediately and put people to work.

So, Mr. Chairman, this stimulus package is really a shot in the arm for the Forest Service. It deals with the backlog problems which we have discussed with the Committee for several years. The Committee has been very helpful and supportive of the Forest Service to do something about that, and I just come here today very excited and enthusiastic about getting this extra shot in the arm to do this high priority work that must be done on the national forests? And the nice thing about it is, we are putting unemployed people to work.

[The information follows:]

STATEMENT OF
F. DALE ROBERTSON, CHIEF
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the House Committee on Appropriations
Subcommittee on Interior and Related Agencies

February 23, 1993

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss the Administration's fiscal year 1993 Stimulus Package. I am especially pleased to share with you the Forest Service's capability to respond to this proposal. We have a long history in providing successful work and training programs beginning in the 1930s with the Civilian Conservation Corps, the Job Corps Program in the 1960s, the Accelerated Public Works Program in the early 1980s, and several types of youth training programs. I am proud that the Forest Service has responded so aggressively in the past in meeting the needs of our Nation, including employment opportunities as well as accomplishing much needed natural resources work which benefits our Society.

Our Nation is faced with the need to increase economic growth and improve the quality of our environment. Solutions of these issues can be complementary if jobs are created that contribute toward improved management of our resources, including the elimination of backlog of work which has developed over time.

The Stimulus Package for the Forest Service totals $188 million. Of this amount, the Administration requests that $150 million go into the national forest system appropriation and $38 million go into the construction appropriation. Please note that this is slightly different from our initial request due to a re-estimate of our FY 1993 work needs. We estimate at least 8,000 jobs can be created almost immediately and people put to work accomplishing the needs which have already been identified in our National Forest system. We propose that the work be targeted to recreation management, trails maintenance, facilities maintenance, ecosystem restoration, trail and facilities construction.

In selecting the work or projects, we have used the following criteria:

- considered the highest areas of unemployment that are near Forest Service facilities
- selected projects that are job intensive
- selected projects that can begin this field work season
- emphasized reductions of large backlogs for deferred maintenance of recreation, trail, and administrative facilities
- focused critical ecosystem restoration projects
- contract for the work wherever possible. Where direct federal employment is necessary, emphasize temporary positions and strictly minimize new permanent hires
- use funds for direct project work

Program Highlights

Using these criteria, funding will be allocated among these program areas.

Recreation Management

With $75 million in Recreation operations and maintenance, the Agency would focus on maintenance and rehabilitation of its existing facilities in high unemployment States and counties. Emphasis would be directed at eliminating health and safety hazards, correcting resource damage, improving sites receiving heavy use, and improving service in urban areas and nationally designated recreation areas. These funds would permit a major reduction in the backlog of deferred facility maintenance currently estimated at $449 million.

Trail Maintenance

With $25 million, the Forest Service would focus on labor-intensive trail maintenance and rehabilitation projects to provide maintenance and to arrest further deterioration of our trail system. These projects would include clearing the pathways of encroaching vegetation, correcting safety hazards, and maintenance on trail tread, drainage structures, bridges, and signs. These funds would prevent further trail deterioration and provide for major restoration on many of our trails, including National Scenic Trails. The $25 million would be a significant help in reducing the $298 million backlog of deferred trail maintenance.

Facilities Maintenance

With $20 million, the Forest Service would provide basic maintenance and correct some of the major accessibility deficiencies in existing Forest Service buildings, primarily offices, and other locations where the public is served. Funds would also be used to remove some significant health hazards such as radon and asbestos mitigation. In addition, funds would be used to provide separate but equal facilities for men and women in offices and quarters where, for instance, a single restroom or show facility now exists. These funds would permit a sizable reduction in our $91 million backlog of deferred maintenance.

Ecosystem Restoration

With $30 million, the Agency would rehabilitate watersheds and riparian areas and close timber and other roads to reduce soil movement and sedimentation; reduce non-point source pollution through restoration and revegetation of abandoned and inactive mines; restore fish and wildlife habitat and protect threatened and endangered species; revegetate riparian areas; and treat timber stands to restore vigor, improve health and reduce the risk of damaging wildfire.

Trail Construction

With $7 million, the Agency would be able to emphasize the reconstruction and relocation of substandard trails resulting from age, heavy use, location, or lack of maintenance. The Agency would provide funding to respond to the changing needs of recreationists and to increase access for persons with disabilities. New connector trails would be constructed to link national forest trails and other non-National Forest System trail systems to enhance customer service and satisfaction. Work would be emphasized on trails and trailheads located in high unemployment areas, in Congressionally designated areas such as National Recreation Areas and National Scenic Areas, and on National Scenic Trails. Funds would relocate existing trails to reduce erosion and improve user safety and improve access to areas of special interest.

Fire, Administrative and Other (FA&O)
With $8 million, the Forest Service would address some of the identified $369 million, 10 year, backlog of facilities construction needs for Fire, Administrative and Other buildings (FA&O) in the Forest Service. Funding would be used for the replacement of functionally obsolete structures, additions to structures for vitally needed added capacity, and to provide required accessibility for employees and the public that would not be feasible without structural additions to existing buildings.

Research Construction
With $3 million, the Agency would correct safety hazards, improve accessibility, provide maintenance to prevent further deterioration of laboratory facilities, and renovate electrical, ventilating, sewage, and water systems.

Recreation Construction
With $20 million, emphasis would be placed on major rehabilitation of sites that have deteriorated over time due to heavy use and deferred maintenance. Water and sewer systems which do not meet environmental standards would be replaced and access within developed recreation sites would be improved and upgraded. Facilities would be reconstructed to bring them up to the Land and Water Conservation Fund standards for user fee collections. Existing facilities to protect the health and safety of forest visitors would be rehabilitated and past capital investments would be preserved. Funds would also be used for the architectural and engineering design for kayaking and white water rafting in preparation for the 1996 Olympics.

Expected Results
The greatest result of the Economic Stimulus Package is the opportunity to put at least 8,000 people to work quickly within the last half of FY 1993. Jobs would concentrate in areas where unemployment is highest, creating jobs in rural areas as well as urban areas that are near National Forests. All of the projects would be underway by this summer.

The American people would also benefit from the needed work which will take place on the Nation's public lands. There would be a reduction in the accumulating backlog, and restoration and rehabilitation work would be accomplished. The infrastructure that supports our Research and National Forest System programs would be improved. It has been through such programs in the past that we have been able to maintain support facilities as well as contribute toward improving the quality of our Nation's resources.

Closing
Mr. Chairman, this concludes my prepared remarks, but before closing please let me restate how excited and enthused we are to be a part of the Stimulus Package. We know the Forest Service can make major contributions. I'll be glad to respond to any questions you or members of the Subcommittee may have.

BUDGET JUSTIFICATION

Mr. DICKS. Good. Let me just ask you a couple of things. We have one little problem here with the numbers. According to our staff, the Forest Service request totaled $188 million, which you have said, and $150 million is supposed to be for the national forest system, and $38 million for construction.

Now, the amounts submitted by the Administration are slightly different. They say it is $140,883,000 for the national forest system and $46,961,000 for construction, totaling $187,844,000. Which is it, Mr. Chief?

Mr. ROBERTSON. Well, the situation is that the numbers have been evolving and there—originally was $200 million for the Forest Service; it was reduced 6 percent to $188 million, and so what OMB did is just prorate the $12 million across all of our items that came up here, but after we worked with this number, we took the reduction in the construction item.

So we would have $150 million in our national forest appropriation, and then $38 million in the construction items. So we chose——

Mr. DICKS. That is the Administration's position now?

Mr. ROBERTSON. Yes, that is our position.

Mr. DICKS. Apparently we have a submission here from the Administration that has the previous numbers, and if you could help us straighten this out, I don't want to——

Mr. ROBERTSON. We have talked to OMB on that, Mr. Chairman. We are all in agreement within the Administration, so we just need to correct those numbers. But the bottom line total is the same, $188 million.

Mr. DICKS. All right. And what was that you said, 8,000 jobs?

Mr. ROBERTSON. Yes, at least 8,000 jobs.

Mr. DICKS. What portion of these jobs would be Federal and how many would be non-Federal?

Mr. ROBERTSON. Well, we believe at least half of them would be based on contracts, and we are going to keep it in the private sector to the maximum extent, but probably about half and half.

OBLIGATED FUNDS

Mr. DICKS. Can you obligate all of these funds by the end of the fiscal year?

Mr. ROBERTSON. I would say by the end of the calendar year, we will have all of these funds either obligated or spent.

Mr. DICKS. But not by the end of the fiscal year?

Mr. ROBERTSON. No.

Mr. REGULA. He is talking about the funds in the supplemental?

Mr. DICKS. Yes.

Mr. REGULA. Not the unobligated that is already on the books.

Mr. DICKS. This is the extra funds. Do as best you can to see if we can get them out. Again, in the Administration's statement, it says that these funds are supposed to be obligated by the end of the fiscal year.

Mr. ROBERTSON. That is correct. We will have them obligated. There may be some contracts that will be obligated but will continue past October 1.

Mr. Dicks. Yes. We understand that. But it is a question of being obligated. I assume that some of these funds are going to be targeted to high unemployment areas.

UNEMPLOYMENT

Mr. Robertson. Yes. What we did is, we looked at an unemployment map of the United States and then we matched that up with all of our regional foresters' priorities and we overlaid those two maps, to try to accomplish as much of the high priority work, still high priority jobs, but in the higher unemployed areas.

Mr. Dicks. We have also had a problem in the State of Washington. There has been an allocation formula on recreational funds. And Washington State has not done very well compared to other states in the region. I don't mean to be in a competitive mode, but this is always something that we have been told by the regional office, we are going to straighten this out at some juncture. Are we going to be able to achieve that with these additional funds?

Mr. Robertson. Yes. A significant amount of these funds will go to Washington, in fact, about $20 million. And I believe on the Olympic, something like $8 million.

Mr. Dicks. That sounds like we are moving in the right direction. And I see that the staff shows me the numbers here on the recreation program, because we were really—when you added up the forests—we were substantially below Oregon, and this somehow was based on previous activities, and I am glad you are trying to give us some equity in this, and that is appreciated.

Mr. Robertson. We are for fairness and equity in distributing these funds.

Mr. Dicks. All we want is a fair advantage.

Now, do you anticipate using any of these jobs, any of these additional funds for summer youth jobs, such as the Youth Conservation Corps? And you heard me ask the Secretary, this is a program that I have supported over the years. We hope we can do something for the YCC.

Mr. Robertson. Mr. Chairman, all of those funds will go to put unemployed people to work. Now, we will have our normal YCC program, which is about 1,200 to 1,300 people this summer. And I might add, that we have a new National Forest Foundation, and their number one priority is to try to forge this partnership between youth and the natural resources. And they are raising funds now for us to have three additional camps this summer to work in the forests.

So that will supplement our YCC program.

Mr. Dicks. All right.

Mr. Regula?

JOBS

Mr. Regula. Thank you, Mr. Chairman.

Glad to have you here, Mr. Robertson. Are these jobs all temporary?

Mr. Robertson. These jobs will all be temporary.

Mr. Regula. And as I understand the law, it has to all be obligated by the end of the year; is that correct?

Mr. ROBERTSON. That is correct.

Mr. REGULA. So that within a matter of 6 months or so, they are back out of a job, correct?

Mr. ROBERTSON. Well, they either have to go on to another job or they will be out of a job.

Mr. REGULA. Would this make a difference in unemployment benefits?

Mr. ROBERTSON. We were checking on that this morning, and the States have different rules, but it looks like that, yes.

Mr. REGULA. What is it, 14,000 jobs or whatever the number is. It might be that many eligible for unemployment since they are all temporary; is that correct?

Mr. ROBERTSON. Well, that was the Department of Interior number. We are talking about 8,000 jobs, and I am going to keep as much of that in the private sector as I possibly can, so I would assume there will be less than 4,000——

Mr. REGULA. You are contracting out?

Mr. ROBERTSON. Yes. And then that would at least resolve our problem of unemployment, if we had it over in the private sector.

UNOBLIGATED FUNDS

Mr. REGULA. You have $71 million in unobligated balances.

Mr. ROBERTSON. Yes. We had that at the end of September.

Mr. REGULA. Why couldn't you get those projects under way so we don't have to go out and borrow so much more money?

Mr. ROBERTSON. We do have them under way. In fact, all of our funds for maintenance have been obligated now. We still have some funds to be obligated in facility construction.

Mr. REGULA. But even if they are obligated, people will still have to be hired to do this work, won't they?

Mr. ROBERTSON. We still have funds—it is all obligated except for some construction projects. We have something like——

Mr. REGULA. You have $51 million here, according to the information you provided.

Mr. ROBERTSON. That is correct. And we have obligated about $12 to $13 million of that. So we are down to somewhere in the neighborhood of $35 million unobligated.

Mr. REGULA. Will you obligate this as easily as you do this supplemental money?

Mr. ROBERTSON. Yes. We are obligating that. You know, every month or so we are awarding contracts.

1996 OLYMPICS

Mr. REGULA. I note that some of what you are spending is on the preliminary work for the 1996 Olympics. I was curious how that qualifies as emergency work.

Mr. ROBERTSON. Well, we have a problem. We are going to have the white water rafting events on the national forest, on the Ocoee River on the Cherokee National Forest in Tennessee, and we are working with the Olympic Committee out of Atlanta and others. There have to be some planning and facilities to handle the water events, white water events, for the Summer Olympics.

Mr. REGULA. You are talking about building houses and that type of thing?

Mr. ROBERTSON. Not housing. Facilities and spectator stands for people to watch the water events.

Mr. REGULA. How about the course of the river or anything like that?

Mr. ROBERTSON. What was the question?

Mr. REGULA. You are not going to do any altering of the course of the river; it is strictly on bank?

Mr. ROBERTSON. That is true, yes. But we didn't realize the extent of some of the things that were required for Olympic events, so we are working on a plan now on what is needed, working with the Olympic Committee, and there need to be some facilities. We are looking at what kind of facilities we can have that would provide services after the Olympics in that particular river corridor. But this is a major event. And so this money would just help us get ready for that in 1996.

Mr. REGULA. Thank you.

Mr. DICKS. Mr. Murtha?

MINE LAND RECLAMATION

Mr. MURTHA. You mentioned direct or abandoned mine land reclamation. What did you mean by that, or did I misunderstand.

Mr. ROBERTSON. Yes. The national forests, like most other public lands, are open for mining under the 1872 Mining Act.

Mr. MURTHA. Yes.

Mr. ROBERTSON. And those areas have been mined since 1872 out there, and so we have some problems on the national forests where the miners have walked away from it, like 15 or 20 years ago, and we are still continuing to have erosion.

Mr. MURTHA. What is that noncoal, nonfossil fuel type stuff?

Mr. ROBERTSON. Most of it is hard rock mining.

Mr. MURTHA. Hard rock.

Mr. ROBERTSON. Yes.

Mr. MURTHA. What do you do there? Does that fall under the money we collect from coal, or do you have to appropriate additional money for that?

Mr. ROBERTSON. Well, in coal, there is a reclamation fund that we can use, and we use that. Most of these hard rock mines are out west on public domain lands where there is no fund.

Mr. MURTHA. OK. So you fund it—the funding you are talking about is for that type of a project, coming from the Treasury, not from the taxes collected on the coal operator?

Mr. ROBERTSON. That is true, although we have a lot of that, especially in Indiana, Ohio and places like that, and West Virginia.

Mr. MURTHA. How do you handle that? Do you handle that through SCS, or do you handle it through the abandoned mine land reclamation program.

Mr. ROBERTSON. It is the abandoned mine reclamation program.

Mr. MURTHA. That is all I have, Mr. Chairman.

Mr. DICKS. Mr. Packard?

JOB TOTAL

Mr. PACKARD. The staff has given me a list of the stimulus package in total, and it lists under your Forest Service, $188 million, but it also lists the number of jobs created as 2,300. You have said 8,000. I don't understand the discrepancy.

Mr. ROBERTSON. I don't know where the 2,300 jobs came from, but we are estimating at least 8,000 jobs.

Mr. PACKARD. That would change the question I had relative to the cost per job.

Mr. ROBERTSON. It is about $24,000.

Mr. PACKARD. It was $81,000 according to this scenario, and that was a great concern.

The California Youth Conservation Corps is organized and it may tie in a little bit with what the Chairman has talked about. They are designed to train and use young people to do much of what your package will do. Will you be contracting with or working with these agencies to help them do some of the work?

Mr. ROBERTSON. We already work with the California Youth Conservation Corps and we provide projects for them now on the national forests.

Mr. PACKARD. But will you be using some of the things to be done in this package with them, or is that not decided yet?

Mr. ROBERTSON. Well, we could, but this money is going to be targeted on putting unemployed people to work. We will work with our regular program, as we have in the past, with the California Conservation Corps in which we provide some supervision, we provide the projects, we provide the material and supplies that they need on the national forests. So that is a really good partnership arrangement we have in California.

Mr. PACKARD. I am not sure that I support the stimulus package, but I certainly do commend you for your process of looking at high priority projects already on your books as part of the selection process. And the fact that you have overlaid that on to your high unemployment areas, obviously, that fits into what I think is supposed to be the intent of this economic stimulus package.

Thank you very much, Mr. Chairman.

RESTORATION PACKAGE

Mr. DICKS. Well, I would just like to say one thing and then I am going to yield to Mr. Coleman. I am very pleased with your ecosystems restoration package, $30 million. You know, for those of us as I mentioned who are under the gun on endangered species, what we can do to restore habitat and deal with our stream beds and riparian zones is important. Those whole series of things can create jobs and hopefully prevent further listings that will lead to the kind of litigation and problems that we now have.

Mr. ROBERTSON. It is an investment in our future.

Mr. DICKS. The other thing that I think is crucial here is the Forest Service in Northern California, Oregon and Washington State. One of our major problems in this whole issue up to this juncture has been the failure of the previous Administration to come up with an overall ecosystems plan for the region.

And I just hope that with this new Administration—I have had a chance to talk to the President about this yesterday—we can start developing a regional plan that will help us get out from underneath these injunctions because we have thousands and thousands of people who have lost their jobs.

I don't know if you had a chance to watch the show the other morning with the young people and Peter Jennings. One of the questions that came in was from a young student whose father had lost his job in the Northwest. Soon we are going to have not only terrible problems, but a crisis for these areas and communities that are dependent on Forest Service timber.

So I urge you to do everything you can. I know you always wanted to, but there have been problems. I don't think you are going to have those same kind of problems with this Administration, in trying to come up with an overall plan so that we can work together.

The Congress is going to need your help and cooperation in order to get this done so that we can, hopefully, pass legislation, lift the injunctions, and restore some activity in the Pacific Northwest. I know we will have your cooperation in that.

Mr. ROBERTSON. Mr. Chairman, Secretary Espy and I have met with Secretary Babbitt, and you can count on a coordinated position from this Administration.

Mr. DICKS. Don't you agree that one of the fundamental problems we had, was the fact that you had all your resource agencies talking a different line or a different approach and we didn't have a unified Administration strategy?

Do you think that is something that should be done and must be done?

Mr. ROBERTSON. Absolutely. That has caused part of the problem we have today.

Mr. DICKS. All right.

UNEMPLOYMENT

Mr. Coleman?

Mr. COLEMAN. Thank you, Mr. Chairman. I would like to, if I might, find out something about the map you used for targeting high unemployment, and being in a location to deal with issues with which the Forest Service will be dealing.

Did you do that by State?

Mr. ROBERTSON. We did it by State as well as county. And in fact this is the map we used, which shows unemployment rates by counties, and you can see the red is areas that have very high unemployment of over 8.5 percent. So we used this map showing the unemployment rate, and then we overlaid our priority projects so that we were working on high priorities.

Mr. COLEMAN. The yellow then shows low unemployment; is that right?

Mr. ROBERTSON. That is true.

Mr. COLEMAN. I am looking at Texas down to the tip. It is almost all red with the exception of some very large counties, I guess, that for some reason are in that statistic. From where was that derived, that unemployment map?

Mr. ROBERTSON. This came from the Department of Labor. Yes. South Texas is high.

Mr. COLEMAN. What are the dates on that unemployment map? Is that——

Mr. ROBERTSON. That was for 1991, and they do not have the 1992 data yet.

Mr. COLEMAN. That is funny, I've got it.

Mr. ROBERTSON. For this map?

Mr. COLEMAN. Yes.

Mr. ROBERTSON. You do? Well, we may have to make some adjustments then.

Mr. COLEMAN. Well, I am interested, because in terms of my county, El Paso County, with unemployment running at right now 11.2. I said 10.8 for 1992, but it is up now to about 11.2. I wonder if you used a State line, for example, where the Forest Service employees are going to go. That is a 600-mile trip for the employee. In other words, there is nothing nearby that avails themselves perhaps of the kind of jobs that you will be creating, hopefully, in the stimulus package. And I am real curious about how we are going to resolve that issue.

In other words, if they go into New Mexico, that is fine. We don't have the distance to travel. The furthermost place away from us in New Mexico is 300 miles, unlike to the east is 600 miles. So I guess I am curious about how you intend to resolve that issue in high unemployment areas like mine?

Mr. ROBERTSON. Well, we can only do work where we are located, and what we are going to do is work with the local employment, State employment agencies in and around the national forests. So since we don't have national forests near El Paso——

Mr. DICKS. We will try to grow one, though.

Mr. ROBERTSON. I think you are going to have to depend on the Park Service or some of the others that have programs in your area.

Mr. COLEMAN. That is exactly my point. You are going to have to go to the Texas Employment Service to get those numbers, and not just New Mexico. Because in fact, for some of the forest areas, El Paso is closer, than Albuquerque, for example, to some of the forest areas under your control.

And so I am asking that you do that, because there are issues in regions that I think are just as important as those determined by a State line. All of these lines are well and good for categorizing in our mind how things should be, but the truth of the matter is, it is a different issue. I am just asking that you do that. I intend to follow this very closely. I am a strong supporter of the economic stimulus package. I think it is exactly the right thing to do.

For my colleagues who are not so sure that they can support it, I would just say we have tried other plans over the last 12 years and they haven't worked. I am willing to give this a try, and I am hoping, however, that as we implement it, we implement it in a way that makes sense, because——

Mr. ROBERTSON. Absolutely.

Mr. COLEMAN [continuing]. Because unemployment areas are not necessarily geographically close to areas perhaps with which you will be dealing. Yet that doesn't mean you can't find the kind of employees we are looking for.

Mr. ROBERTSON. That is true, Congressman Coleman. But I would anticipate most of the people we hire will be within the commuting area, the work site. These jobs are just not going to pay enough for people to, you know, move.

CONTRACTORS

Mr. COLEMAN. Well, I accept that to this extent: when you say you are going to get at least half from the private sector, for example, Lincoln National Forest, from where will you get a contractor to come in and do work? What is the nearest town? Albuquerque or El Paso, Tucson or Phoenix? Those are the nearest towns.

Mr. ROBERTSON. El Paso, yes.

Mr. COLEMAN. I would hope that there is an understanding that if you are going to deal with the private sector, you are going to be dealing with areas where perhaps there is a high unemployment number, where you can work to really make the stimulus package do what it says it will do.

And that is my concern, and I understand the reluctance of some of my colleagues for supporting it, and this would be part of the reason. And I want to do it.

Mr. PACKARD. Will the gentleman yield?

Mr. COLEMAN. Yes.

STIMULUS PACKAGE

Mr. PACKARD. I understand that they are pushing very hard to look at the total package as a package. I think it would be unrealistic for any agency or subdivision of the package to try to get an equal balance between geographic areas. Some geographic areas will attract more of the monies in one area and the Forest Service will only attract in the area where there are forest lands. But I think it would be unrealistic to expect the balancing of every department or division.

Mr. COLEMAN. But again my point is that you cannot, in my view, negate the issue when you overlay maps, how it is that you are dealing with resources or people where they come from high unemployment areas. My point is, State lines do not make a difference to some communities. It is just not that important.

Along the U.S.–Mexico border, I think we understand, even international borders don't mean anything when it comes to disease, for example. So all I am saying is I suggest that we keep an open mind with respect to those kinds of issues.

Mr. ROBERTSON. We will, I promise you, we will keep an open mind, and especially the contract part of this. I would expect some contractors out of El Paso to bid on some of our work on the Lincoln National Forest, and also with people within the commuting area on jobs that we hire, we will be open to everyone.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. DICKS. Thank you. Any other questions of the Chief?

Thank you, Dale. We appreciate your testimony, and your good efforts, and we will get you out to the State of Washington here pretty soon.

Mr. ROBERTSON. All right. Thank you, Mr. Chairman.

TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF ENERGY

WITNESSES

DR. ROBERT L. SAN MARTIN, ACTING ASSISTANT SECRETARY FOR CONSERVATION AND RENEWABLE ENERGY

JOHN P. MILLHONE, DEPUTY ASSISTANT SECRETARY FOR BUILDING TECHNOLOGIES

THOMAS J. GROSS, ACTING DEPUTY ASSISTANT SECRETARY FOR TRANSPORTATION TECHNOLOGIES

OPENING REMARKS

Mr. DICKS. All right. We will now hear from Dr. San Martin. We are going to put your biography in the record because this is your first time to testify before this Committee, and we want to welcome you. And you may proceed, you know, with your statement and you might want to summarize it or proceed as you feel comfortable.

Dr. SAN MARTIN. Thank you very much, Mr. Chairman. I will be very happy to summarize. It is a pleasure to be able to appear before the Committee today to be able to review with you the conservation and renewable energy elements of the President's 1993 supplemental appropriations request. This short-term economic stimulus package has been designed as an integral part of the President's program for national investment and renewal.

The focus of the stimulus package is near-term job related, but the benefits to the Nation from the Department of Energy's portion of the package, in my opinion, is very genuine and long-lasting, because it includes increasing energy efficiency in low-income housing, in schools and hospitals; it includes Federal investment in developing the market for alternative fuel vehicles, and also makes a serious commitment to achieving energy savings in Federal facilities.

The principal conservation item in the supplemental bill affecting the Committee is $65.8 million in building energy efficiency grants, $47 million of this amount is for weatherization of low-income housing, and will be included in modifications to State weatherization grants. This supplemental funding represents a 25 percent increase over the current fiscal year 1993 funding.

DOE estimates that the additional $47 million will weatherize an additional 28,000 homes. The package also includes $18.8 million of this amount intended for the Institutional Conservation Program, increasing the current fiscal year 1993 appropriation by 66 percent. DOE estimates that this funding will improve the energy efficiency of up to an additional 800 schools and hospital buildings.

The Federal Government, Mr. Chairman, is the largest single user of energy in the Nation spending almost $4 billion annually in Federal buildings alone. It has been estimated that reductions of up to 25 percent are possible, according to the Office of Technology Assessment, by the use of commercially available technologies. This supplemental request in this area is for $6.8 million as a first step in what we expect to be an increased investment in future Federal energy efficiency.

This supplemental funding is for the Federal Energy Management Program and it includes $5.6 million to be used for enhanced training and increased efficiency audits, and $1.2 million for a Federal Facility Energy Efficiency Fund administered by the Federal Energy Management Program on behalf of other Federal agencies.

The supplemental request also includes $28.2 million to increase the rate at which alternative-fueled vehicles are purchased, and are converted for use in the Federal transportation fleets. We believe that over 10,000 additional vehicles can be added as a result of this funding. We are planning approximately 50 percent of the funding will be used for natural gas vehicles.

The Department of Energy is working closely with GSA, automotive manufacturers, and equipment suppliers to accomplish this accelerated effort. We will also be working aggressively with States and, where possible, private fleet buyers to coordinate our activities which will give suppliers a predictable and producible aggregate demand.

We believe that such coordination will benefit, not only Federal, but other purchasers in achieving the best possible purchase price and delivery schedules, and also benefit the fuel supply industry in knowing where to first establish a refueling infrastructure and facilities.

Mr. Chairman, I believe that the 1993 supplemental budget request will provide an effective stimulus to the economy. The proposals outlined here do much more than just add jobs. They go far towards demonstrating this administration's emphasis on improving the efficiency of energy use in creating alternatives to petroleum fuels. I urge this committee's support and I welcome any questions you may have.

[The information follows:]

U.S. Department of Energy
Office of the Secretary
Washington, D.C. 20585
202/586-5534

BIOGRAPHY

DR. ROBERT L. SAN MARTIN

Dr. Robert L. San Martin is currently Acting Assistant Secretary of the Office of Conservation and Renewable Energy, assuming that position January 20, 1993. The Office of Conservation and Renewable Energy conducts research and development programs in energy efficiency and renewable energy for buildings, industry, transportation, and utilities.

The Office also administers Federal grant programs through 10 Regional Support Offices for low-income home weatherization and energy efficiency improvements in schools and hospitals, and coordinates management of DOE's five Federal Power Marketing Administrations.

Since April 1990, he has served as Deputy Assistant Secretary (DAS) for Utility Technologies, Office of Conservation and Renewable Energy, U.S. Department of Energy. In this position, he is responsible for program planning, policy, budget, and director of the Utility Techologies program. This program integrates major renewable energy technologies and power management activities through program offices responsible for research, technology development, and technology transfer to the private sector.

Since 1978, Dr. San Martin has served the Office of Conservation and Renewable Energy in various capacities, including DAS for Renewable Energy, DAS for Solar Energy, and DAS for Field Operations and International Programs.

A former Professor of Mechanical Engineering at New Mexico State University, Dr. San Martin served as Director of the New Mexico Solar Energy Institute as well as the New Mexico Energy Institute where he assumed responsibility for solar and geothermal energy research in the state.

A member of numerous professional and technical societies, he is past chairman of the Renewable Energy Working Party of the International Energy Agency; former chairman of the American Society of Mechanical Energy Agency; former chairman of the American Society of Mechanical Engineers - Solar Division, and previously served as a member of the Board of Directors of the American Solar Energy Society.

Dr. San Martin received his doctoral and master's degree in Mechanical Engineering from the University of Florida.

February 1993

Statement of Dr. Robert L. San Martin
Acting Assistant Secretary for Conservation and Renewable Energy
U.S. Department of Energy
FY 1993 Supplemental Appropriations

Mr. Chairman and members of the Committee, I am pleased to appear before you today to present the FY 1993 Supplemental budget for the Department of Energy. The Supplemental budget contains the short-term economic stimulus package which is an integral part of President Clinton's program for national investment and renewal. Although the principal goal of the stimulus package is to create jobs, our proposals also will bring about genuine long-term benefits to the economy, such as increased energy efficiency. I will discuss each proposal in turn.

Conservation Grants

The package contains $65.8 million in building energy efficiency grants; $47 million for the weatherization of low-income housing and $18.8 million for schools and hospitals. To ensure that the low-income housing weatherization funds get to work promptly, state or other matching funds will not be required until FY 1994. The funds will be at work in some 1,200 communities across America within 6 months, and will create almost 1,000 jobs, most of them in low-income neighborhoods which have suffered so much over the past 12 years. An additional 28,200 homes and up to 800 school and hospital buildings will be weatherized with these funds. The resulting energy cost savings to poor families and schools and hospitals can be applied elsewhere to meet pressing needs. The supplemental proposal increases FY 1993 funding for low-income weatherization by 25 percent, and schools and hospitals funding by 66 percent.

Federal Buildings Energy Efficiency

The Federal government is the largest single user of energy in the nation, spending almost $11.3 billion annually in energy costs, $4 billion in Federal buildings alone. According to Congress' Office of Technology Assessment, federal energy costs in buildings could be reduced by at least 25 percent - one billion dollars annually - just by investing in commercially available technologies for heating, cooling, and appliance use. The Energy Policy Act of 1992 and existing Executive Orders set a goal of a 20 percent reduction in federal energy use by the year 2000. This supplemental request is the first step in what we expect will be greatly increased investments in federal energy efficiency in the future.

Our proposal will add $7.8 million to programs for improving the energy efficiency of federal buildings. Of this total, $6.8 million is for the Federal Energy Management Program (FEMP); $5.6 million to support greatly enhanced training for more than 550 new energy managers and perform energy audits at approximately 470 federal sites around the country, and $1.2 million for a Federal Facility Energy Efficiency fund that would be administered by FEMP on behalf of all federal agencies except for the major energy users (the Departments of Defense, Energy, Veterans Affairs, and the General Services Administration), which receive direct funding. The remaining $0.9 million is for the In-House Energy Management program for survey audits preparatory to retrofitting energy efficient technologies into Department of Energy buildings. The state-of-the-art energy efficiency technologies showcased in our facilities can be replicated in state, local government, and commercial buildings.

Alternative-Fueled Vehicles

The supplemental request includes $28.2 million to increase the rate at which alternative-fueled vehicles are purchased and/or converted for use in the federal transportation fleet. This will demonstrate federal leadership in an area critical to reducing both imported oil and air emissions. The objective is to accelerate widespread acceptance and use of vehicles that operate on non-petroleum fuels, such as methanol, ethanol, and compressed natural gas. We project that these funds will result in purchasing at least 10,000 additional vehicles. We will be working closely with GSA to accomplish this accelerated effort. New jobs will be directly created as a result of converting vehicles for alternative fuels use and indirectly created through increased use of domestically produced fuels.

Mr. Chairman, I believe the FY 1993 Supplemental budget request will provide an effective stimulus to an economy which has been weakened by years of neglect. The proposals I have outlined do much more than just add jobs; they go far toward meeting important underlying goals of this Administration - improving efficiency of energy end use, creating alternatives to petroleum fuels. The stimulus package is important, but it is only the first step in the President's program of national investment and renewal. I look forward to working with the Congress to enact the FY 1993 Supplemental budget as well as the FY 1994 budget to follow.

ALTERNATIVE FUEL VEHICLES

Mr. DICKS. In the draft language in emergency conservation activities, $28 million is provided for the acquisition of alternative fuel vehicles to the Federal fleet and the conversion of existing vehicles in the Federal fleet to alternative fuels. This would allow accelerated implementation of the alternative fuels titles of the Energy Policy Act of 1992.

Is it the administration's position that it would be desirable to include the flexibility to begin implementation of the Energy Policy Act alternative fuel titles III, IV and V?

Dr. SAN MARTIN. Mr. Chairman, it is the administration's position that that would be of value, and in fact, we believe that up to $2.5 million of that total request could be in fact productively used in laying the groundwork for the implementation of the Energy Policy Act in these areas.

Mr. DICKS. What activities would you undertake?

Dr. SAN MARTIN. Mr. Chairman, we would be focusing these activities on several of the subsections within the titles that you mentioned already. They would include accelerating the expanded education and training for Federal employees on the use of alternative fuel vehicles. It would include the establishment of a public information program to educate consumers on the benefit costs of these alternative fuels.

It would also include the beginning of a rulemaking requiring alternative fuel producers to acquire alternative vehicles for their own fleets and the establishment of a program to obtain voluntary commitments from industry to build infrastructure as this program continues. And it would also allow us to initiate analysis required to support future rulemaking requiring private fleets to acquire alternative fuel vehicles. So it would be a combination of all of these that we would pursue with this flexibility.

WEATHERIZATION ASSISTANCE PROGRAM

Mr. DICKS. Weatherization. Is it the administration's position that the matching fund requirements for weatherization be dropped from the appropriations language?

Dr. SAN MARTIN. That is correct, Mr. Chairman.

Mr. DICKS. How long will it take to make grant funds available? How long will it take to expend the funds?

Dr. SAN MARTIN. We would expect in the weatherization program to be able to apply all of the funds during this summer period. We believe that this is a very critical period. If there is a timely appropriation, based on our own grant cycle, we should be able to achieve that.

Mr. DICKS. Can the States do their part to deliver the levels of increased services?

Dr. SAN MARTIN. I believe the States, based on the historical levels that they have operated at, will be able to handle and apply these funds.

Mr. DICKS. How many jobs will be generated by this activity?

Dr. SAN MARTIN. Mr. Chairman, specifically with regards to the weatherization activity, the total number of jobs that we think would be a result of those monies would be something over 1,100. If we try and very carefully judge those from the application of economic principles that I have seen, that I heard discussed here before, the net number of jobs resulting would be on the order of 670.

FEDERAL BUILDINGS ENERGY EFFICIENCY

Mr. DICKS. All right. One thing I noticed, and I applaud you for it, is Federal buildings energy efficiency. I wonder whether we should not be spending more of this money on this particular activity, because of the potential enormous savings that might be accomplished over a period of time.

Now, I would hope that this administration would move on this. I understand you have a lot of private contractors out there that are very eager to do this kind of work on Federal buildings, facilities, Defense bases, et cetera, and the potential savings, I understand, are enormous.

Dr. SAN MARTIN. Mr. Chairman, we support that position very, very strongly. I think you will be hearing from us in the administration in an attempt to even get much more aggressive in this area as we start talking about future year's work. And I also believe that, with the tools that we have available because of the Energy Policy Act, we will be able to be much more innovative in how this program is implemented and achieve much greater leveraging.

So this is a very good investment that we expect is going to pay off four or five-fold for the taxpayer in savings that can be achieved in Federal sector energy use.

Mr. DICKS. All right. Mr. Packard?

Mr. PACKARD. Yes. Thank you very much, Mr. Chairman.

ALTERNATIVE FUEL VEHICLES

I am very much involved and have been for some time in alternative fuels research and development and vehicles, and I am a little bit puzzled. There is already such a backlog of orders on alternative vehicles that they can't meet them, and I don't understand how you would be able to purchase this number of vehicles when they can't even produce enough to meet the demand.

Dr. SAN MARTIN. Mr. Packard, in the discussions that we have had with suppliers, they have told us that they would have no difficulties in supplying virtually all of the flexible vehicles that we would want to purchase. When we get into natural gas vehicles, they are more dependent on the availability of components for conversion kits and so forth. It appears that within the number that we are speaking of, within these resource levels, that they should be able to meet those types of orders.

Mr. PACKARD. And then further on that, the infrastructure, you are intending to use some of these funds to help develop infrastructure and build infrastructure for delivery of your alternative fuels?

Dr. SAN MARTIN. Our primary strategy, Mr. Packard, in developing infrastructure is going to be to try and aggregate markets as these vehicles are in fact purchased, because we hear from the fuel suppliers, et cetera, that they are willing to put in facilities if there is sufficient demand in the area.

We will also be making our own investment in working with the organizations that are of course very involved in both training and local standards and codes that are also needed in order for this industry to be able to succeed.

CONSERVATION GRANTS

Mr. PACKARD. Thank you. On the first category listed, the $66.2 million for low income and school and hospital weatherization, it is difficult for me to understand how this really fits into the objectives of the stimulus package. That is, jobs and short-term economic stimulation. This appears to be more of a long-term and not a job-creating program.

In your judgment, how does it fit into the objectives of the stimulus package?

Dr. SAN MARTIN. I think it does both, and I think that a major share of the Department of Energy's portion of this stimulus package has not only an impact on the short-term job situation, but also an important impact with regard to the long term. As our energy sector becomes more efficient and more cost-effective, it then frees up capital that can be used other places in our economy.

I think that contribution is many times not looked at carefully when we go through many of our economic projections, but it is a very, very important one.

Mr. DICKS. We are going to suspend here.

Have you voted yet, Mr. Regula?

Let's suspend. We will come right back and finish up the hearing.

Mr. REGULA. I can't get back.

Mr. DICKS. Well then, let's yield to Mr. Regula and let him ask some questions.

Mr. REGULA. Will these jobs be temporary or permanent?

Dr. SAN MARTIN. These are not temporary jobs.

Mr. REGULA. OK. Thank you.

[Recess.]

WEATHERIZATION ASSISTANCE PROGRAM

Mr. MURTHA [presiding]. Let me just ask a couple of questions. I want to talk about weatherization. The administration put nothing into weatherization over the past several years. I think it is one of the most counterproductive proposals they could possibly make, because obviously the program is so important and it saves money in the long run. We think weatherization is obviously very important.

We have added money every year and I applaud these efforts. I don't think there is a year where we have cut it. I understand you've changed the formula, Is it true now that the States have to match on a one-to-one basis?

Dr. SAN MARTIN. Mr. Chairman, we had originally proposed the stimulus package to be one in weatherization where there would be a required match of one-to-one. The proposal we are now making to the Congress is one where a match is not required.

Mr. MURTHA. OK. I was just concerned that none of the States, except for perhaps Pennsylvania, would have the money to do it.

Dr. **San Martin.** If I may comment on your earlier statement, I think that the administration will clearly demonstrate to this Committee and the rest of the country that we see the value of a good, strong weatherization program. And I think you will be receiving aggressive and enthusiastic proposals as to the value that comes from this particular program.

Mr. **Murtha.** It will take a couple of years to get geared up, to get people to go out into the field and prepare the estimates, I am sure you have considered that.

I am glad to hear that. In my area in particular, where it gets so cold in the winter, the weatherization program is very important. It has a substantial overall savings for the people on the low-income level.

Dr. **San Martin.** Right.

Mr. **Murtha.** That is all I have. Thank you very much.

We will recess again until Mr. Dicks comes back.

[Recess.]

FEDERAL ENERGY MANAGEMENT PROGRAM

Mr. **Dicks** [presiding]. The Committee will come to order.

One of the things that I have been concerned about under the Federal Energy Management Program is an administration project at Fort Lewis, Washington, which used to be in my district, but no longer is. I don't expect you to know about this here today, but if you could for the record just give us an update on where we are on that particular project, I would appreciate it.

And one other issue that I——

Dr. **San Martin.** I will be happy to do that, Mr. Chairman.

[The information follows:]

Status of the Retrofit Project at Fort Lewis, Washington

Fort Lewis has more than 4,000 buildings and—unlike many other military bases—has an increasing number of personnel and responsibilities. DOE worked with the Army Forces Command, Tacoma Public Utilities, and Bonneville Power Administration to achieve an agreement to increase the energy efficiency of these buildings and facilities.

The agreement has been signed and the installation of energy efficient lighting, high efficiency motors, and other energy-saving equipment will start in March. The initial project will install $14 million in cost-effective energy-saving measures, with the additional options for future installation of up to $35 million in additional efficiency measures.

The Tacoma Public Utilities is funding 85% of the cost of the project; the Army 15%. Bonneville will pay the Tacoma Public Utilities for the energy savings achieved, thereby reimbursing the municipal utility for its costs. For Bonneville and its customers, it is cheaper to "buy conservation" than pay for new electricity generation stations.

SUPERCONDUCTING MAGNETIC ENERGY STORAGE

Mr. **Dicks.** One other issue that I have been personally interested in over the years is the superconducting magnetic energy storage concept, SMES, and my good friend, the Vice President, has been interested in this and Mr. Aspin and myself, and we would like you to take a look at that one, too, and maybe we could have a conversation at some juncture about that.

Dr. **San Martin.** I have been closely affiliated with that, and I would be delighted to discuss it with you. I think the technology that is represented is one that can be of great value to our electric utility systems. I think there are a number of issues that are evolving in the modern utilities, especially related to greater utilization of transmission facilities, where the unique attributes that come from very fast reacting superconducting magnetic energy storage can be a very, very great advantage, and increase the utilization of some of our systems.

So I think it has great value because of that.

Mr. DICKS. You know, with our hydroelectric system out in the Pacific Northwest, we see this as potentially having some very significant benefit. So I appreciate your comments, and we will be in touch with you and maybe we can have a meeting and discuss this at some further length.

We put some money in, you know—where did we put the money? Defense? What do you think about a consortium here? We have talked about a battery, where we have had a battery consortium; and a consortium on Sematec. Is there an effort to get a private sector public partnership on this?

Dr. SAN MARTIN. I believe there is an opportunity for a strong consortium for this concept. We are at a particular point in the development right now where the risks are still fairly high. I think we can agree that from a technical performance perspective, you can most likely develop a system that will operate properly, but to estimate whether it is going to be able to operate within the very difficult cost performance targets for that type of system is still at risk today.

So I think you are able to share some of the risks in that development by putting together a strong consortium and that is probably the very best approach that we could come up with today.

Mr. DICKS. I am very interested in this, and we would like to work with you on it.

Mr. Packard?

ALTERNATIVE FUEL VEHICLE

Mr. PACKARD. Yes. I would like to return to the automobile issue again. The President has indicated that his intent is to cut back on the government fleets. Have you coordinated or will you be coordinating that effort in conjunction with the purchase of, what did you say, 10,000 or 5,000 new vehicles?

Dr. SAN MARTIN. We would say in excess of 10,000 vehicles.

Mr. PACKARD. And if you purchase 10,000, will that add to the fleet, and thus work to counteract the President's stated goal of cutting back on government fleets?

Dr. SAN MARTIN. Mr. Packard, on an annual basis, the General Services Administration purchases on the order of 50,000 to 60,000 vehicles a year. I don't think that we would be adding to the overall total; we would instead be working with them so that the new and modern purchases would be alternative fuel vehicles, so that we are adding to the total fleet that uses alternative fuel.

Mr. PACKARD. In line with that, one of the purposes, of course, of cutting back on the fleet would be the efficiency to the government, to cut back on costs.

Dr. SAN MARTIN. That is right.

Mr. **Packard**. Will the additional cost of your 10,000 alternative fuel vehicles override or negate any savings in cutting back the fleet?

Dr. **San Martin**. I believe that with regards to flexible fuel vehicles, I think we will see a savings all around. I would say that with regards to natural gas vehicles right now, which are still more expensive in the purchases, that we will achieve economies of scale as we increase the total purchases. And the manufacturing industry can tool up to have efficiencies in their manufacturing line, and then I see a net gain for the country when that occurs.

Mr. **Packard**. That is all I have, Mr. Chairman.

FEDERAL ENERGY MANAGEMENT PROGRAM

Mr. **Dicks**. Let me go back to the Federal Energy Management Program. How many energy managers have been trained in this program to date? Maybe I just have a philosophical question first.

Do we want to do this with government officials, or do we want to use the private sector here? I mean as I understand it, there are people in the private sector who do this kind of work. How do you decide whether you are going to contract out or use government employees?

Dr. **San Martin**. Mr. Chairman, I think that we reap the most benefits when we use the best of each world to apply on the Federal side. We have had 400 that have in fact been trained in these particular programs last year. There are something in excess of 8,000 Federal facilities that exist, and there are one or more energy managers at each site.

And, therefore, the training that would have to take place would involve four or five different specific topics that would be handled in training sessions, with these 8,000 or more energy managers that exist in the Federal system.

Now, with regards to being able to implement and achieve——

Mr. **Dicks**. We have 8,000 energy managers today?

Dr. **San Martin**. Throughout the totality of the Federal Government, more than 8,000, sir.

Mr. **Dicks**. And we still have this enormous problem that hasn't been addressed.

Dr. **San Martin**. That is correct. That is why we think training is so critically important at this stage, and we are accelerating our training substantially.

Mr. **Dicks**. It is one thing, of course, to train them, and it is another thing to give them the money, the resources to do the job; isn't that correct? I mean, in other words, if you are going to go out and do energy audits and go in and make the fixes and do the things that are necessary to affect the conservation, I mean, you have got to put money into it; isn't that right? It is going to require an investment?

Dr. **San Martin**. Yes, sir. That is very correct. In fact, the way that is handled throughout the entire Federal Government, there are the four agencies, the largest energy users in the Federal Government, that each receive direct appropriations via their normal routes. Then what we are talking about right now is the Federal

Energy Management Program, which oversees and coordinates the total government and provides training.

And, in addition, we are proposing to start a Federal Energy Efficiency Fund that will be available to all of the smaller agencies who don't get a direct appropriation to be able to utilize, not only to assess their needs, but also to implement the fixes that will lead to energy efficiency.

Mr. DICKS. Is there enough capacity in the private sector to come in? I mean, companies do this now, they come in and they work with a private company, they will say, you know, you have got these kind of problems; you ought to fix this and that, your lighting is wrong, and then they work out an agreement between the company and the utility so that then they hire a contractor to come in and do the work.

That would seem to me to maybe minimize the exposure of the government in having to, first of all, invest in all of these people; number two, invest in appropriations to do this if it can be done by the private sector on an economic basis.

Why should we get into it if that opportunity is out there in the private sector?

FEDERAL FACILITY ENERGY EFFICIENCY FUND

Dr. SAN MARTIN. Mr. Chairman, we very strongly agree with that particular premise. In fact, the way we would gear up to operate this Federal Energy Efficiency Fund for all of the agencies, with the exception of the four large ones, would be based on those particular principles.

For example, we would look in essence at a willingness to work with them as we solicited their proposals, but we would be judging them on how good a job they did on leveraging, or being able to get support from other places, because in many areas of the country, there are evolving demand side management problems where the local utility will share with you or help underwrite the cost of doing some very smart things with regards to energy efficiency.

In many places in the country, you have a significant number of contractors who want to work with you on a performance service basis, or on a cost-shared basis in order to achieve efficiencies. So we would condition our support to these other agencies on how good a job they have done in that fashion, the whole idea being exactly the one you are talking about, it is not necessary for the U.S. taxpayer to have to directly underwrite the cost of every one of these.

Mr. DICKS. Yes. Is this authorized?

Dr. SAN MARTIN. Yes, sir. It is authorized to operate in this fashion under the Energy Policy Act, and that is a very strong tool that we want to use.

Mr. DICKS. All right. Well, I think you have one of the more exciting jobs in the Department of Energy, and this Committee takes very seriously this conservation requirement, and I think this new administration is going to be very eager to deal with these issues, and we look forward to, after many years of pain and suffering, of having some true advocacy in the executive branch.

Dr. **San Martin**. Thank you very much, Mr. Chairman. I look forward to working with this Committee.

The Committee will be adjourned until the call of the Chair.

SUBCOMMITTEE ON THE DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, EDUCATION, AND RELATED AGENCIES

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TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF LABOR

WITNESSES

HON. ROBERT B. REICH, SECRETARY OF LABOR

CAROLYN M. GOLDING, ACTING ASSISTANT SECRETARY FOR EMPLOYMENT AND TRAINING ADMINISTRATION

JAMES E. McMULLEN, DIRECTOR, OFFICE OF BUDGET

CHAIRMAN'S REMARKS

Mr. NATCHER. This afternoon we will begin our hearing on the President's economic stimulus package for fiscal year 1993. Our first witness will be our new Secretary of Labor, Mr. Robert B. Reich. We will conduct these hearings today and tomorrow, and then we will proceed to mark up a bill immediately thereafter.

As chairman of the full committee, I have asked all of the subcommittees to move quickly on the President's package. We will complete all hearings and subcommittee markups this week. We plan to take the bill to the full committee early next week and we will go to the House Floor as soon as the leadership schedules the bill.

The President's request, as you ladies and gentlemen know, for supplemental appropriations is $16.2 billion. The largest portion of that, $8.8 billion comes through this subcommittee. The Labor Department's share, as you well know, is $5 billion, including $4 billion for extended unemployment benefits and $1 billion for summer youth jobs and academic enrichment activities.

I want to stress that in this hearing today we should limit our questions to the economic stimulus package for 1993. The Secretary will be back in a few weeks to testify again about the President's 1994 budget, so I would like to say to the members of the subcommittee, let's confine this hearing to this particular package.

Mr. Secretary, it is a pleasure to have you before our committee. I want you to know that I for one, and all of us on both sides of this subcommittee, want to wish you the best of everything.

You won't be before our committee on many occasions before you find out that we are friends on this subcommittee, friends on both sides, and that is the way we operate. We sit at that table where you are sitting and mark this bill up and you would think we were all first cousins. That is the way we operate and that is the way it should be on this bill.

Mr. Secretary, it is a distinct privilege and a pleasure to have you before the committee and we would be glad to hear from you at this time.

OPENING STATEMENT

Secretary Reich. Chairman Natcher, Representative Porter, Representative Smith, members of the committee, let me go through my testimony. I am going to summarize it and then submit it for the record formally.

I am pleased to be here today to address the Department of Labor's position and portion with regard to President Clinton's economic stimulus proposal. In our view, an economic stimulus is necessary at this time. The recovery is with us but it is not yet a jobs recovery. We need a stimulus of this proportion in order to ensure that this recovery is genuine and sustainable, and to ensure that the jobs come back.

There are three aspects of the stimulus package that have a direct bearing upon our work at the Labor Department, which I want to stress and go over briefly with you and then take questions.

EMERGENCY UNEMPLOYMENT COMPENSATION

The first is the extension of emergency unemployment compensation. On February 17th, the administration transmitted to the Congress legislation that would provide critical assistance to the unemployed by reauthorizing the Emergency Unemployment Compensation Program which is due to expire on March 6th. That is less than two weeks from today.

As you know, this program provides 20 to 26 weeks of emergency benefits, depending on the unemployment rate in the State, to unemployed workers who have exhausted their regular benefits. I am pleased that last Thursday, the Ways and Means Committee reported this reauthorizing legislation and we are hopeful that the House will pass this legislation tomorrow.

Unless rapid action is taken, nearly 1,800,000 jobless Americans risk losing their shield against financial despair. In order to fund the extension, the administration is submitting to the Congress a request for $4,000,000,000 as part of a fiscal year 1993 supplemental appropriation, an additional $2,400,000,000 will be requested for the Department's fiscal year 1994 appropriation, so that extension can carry over.

I very briefly want to put these numbers in context. The Emergency Unemployment Compensation Program, during this recession, has already paid out $14,600,000,000 in benefits to almost

5,000,000 claimants. We are asking this subcommittee's assistance in promptly considering the supplemental request.

I don't think I need to stress the need for this. We do have, again, a very high unemployment rate, 7.1 percent in January, as high as it was a year ago, and higher than it was at the trough of the recession. I want to stress particularly that we have more people exhausting their emergency unemployment compensation now, than we had at the trough of this recession 22 months ago, and we have longer periods of unemployment than we had at the trough of the recession 22 months ago.

WORKER PROFILING

The Department's supplemental budget request includes $14,300,000 to be used primarily for helping the States design and implement what we call automated profiling systems. And if you will let me explain very quickly what we mean by this innovation we are proposing. After five weeks when somebody is on unemployment, the States would be able to identify those individuals who are most likely to be long-term unemployed, never get their jobs back, and because of that system of identification, the States would be able to very quickly refer those people to job search, job counseling, and training assistance.

What we have now, unfortunately in most States, is that the unemployment insurance is totally unrelated to the job counseling and also the job training. The experiment upon which this request is based took place in New Jersey, and they found that unemployment rates and actually the duration of unemployment actually shrank on average by one week. When you add up all the one weeks, you find that you are talking about big money, much bigger than our supplemental budget request, which would help the States set up these voluntary systems.

SUMMER YOUTH EMPLOYMENT PROGRAM

Permit me to go on quickly to summer youth employment and training. President Clinton has made this a very, very high priority for him and for the Nation with regard to this coming summer. Young Americans obviously have a hard time finding jobs. The problem is worse for disadvantaged youth and even worse in our cities. This program would provide economically disadvantaged youth, ages 14 through 21, with summer work experience at public and nonprofit organizations.

In our fiscal year 1993 supplemental appropriation, we proposed to expand the funding by a billion dollars, which will essentially double the summer jobs program, make it available to approximately 1.3 million young people, not only jobs, but also—and here again, I want to stress the innovative portion of this—the quality of the jobs with regard to academic enrichment.

We propose an aggressive campaign providing summer tutoring, academic enrichment involving basic skills training, testing and counseling, and utilizing the public's secondary school system. We know from experience that a lot of these young people, during the summer, lose an awful lot of what they gain during the school year in terms of new learning. We want to make sure they use the summer opportunity, not only to gain discipline, work experience, get off the streets, but also have an opportunity to maintain what they have learned during the year in school.

And this program, based upon pilot projects, demonstration projects, is exactly, in our view, what is needed. This is money extremely well spent, if we get it done early. One of the problems in the past with regard to summer jobs programs is that the grantees may not have known until June that there was going to be a program, so it was difficult to get the thing going.

If we get this going early enough, we can guarantee that this money is going to be spent and spent well, not only on jobs, but on academic enrichment, on the kind of tutoring that is needed. This investment will result eventually in decreased welfare, decreased crime, and improvement in our future work, for that is, again, the major theme of the Department of Labor.

OLDER WORKERS

Finally, the Community Service Employment for Older Americans Program for over 25 years, has offered low-income seniors meaningful work, experience in community service projects ranging from health care to fire prevention.

I think the subcommittee is well aware that seniors age 55 and older earn the minimum wage at part-time jobs at hospitals, schools, parks, community centers and so forth. The President proposes in the supplemental request to increase funding for the Community Service Employment for Older Americans Program by over $32,000,000. This will increase the number of senior community service job slots by 5,300 to a total of nearly 70,000. That is the authorized slot level.

DISLOCATED WORKER LANGUAGE

Quickly, let me mention the worker adjustment assistance discretionary funding. Besides the funding requested for the proposals I have just discussed, we are proposing appropriate language related to worker adjustment assistance. Under the Job Training Partnership Act, based on current projections, discretionary dislocated worker funds could be exhausted before July. Principally due to major disasters, including Hurricane Andrew, without authority to advance funds, State requests for additional assistance would go unfunded this fiscal year or be delayed, and an advance of next year's funds is appropriate.

There is absolutely no reason to expect large outlays for the kind of natural disasters we have experienced this past year in the next year. The proposal will allow discretionary funding that was appropriated for the next program year to be available at the time this supplemental is enacted.

Mr. Chairman, I urge quick action on the President's overall economic stimulus proposals. These proposals combine what we consider to be compassion with, also, common sense. They provide dislocated workers with extended financial support and offer them real assistance in getting them jobs that match their skills and interests. They offer disadvantaged youth meaningful summer jobs, combined with learning opportunities that will enable them to start school in the fall where they left off in June, rather than falling behind, and they offer additional community service job opportunities for our senior citizens.

Mr. Chairman, this concludes my prepared statement and, again, I invite your questions. Let me quickly just introduce, because sharing with me in the answers, particularly answers that I find too hard or difficult, will be Carolyn Golding, who is the Acting Assistant Secretary for Employment and Training, and also Jim McMullen, who is our Budget Director. Carolyn and Jim will either slip me notes or answer directly the hard ones.

[The information follows:]

STATEMENT OF
SECRETARY OF LABOR ROBERT B. REICH
BEFORE THE
SUBCOMMITTEE ON LABOR, HHS, AND EDUCATION
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 23, 1993

Chairman Natcher, Representative Porter, and members of the Committee:

I am pleased to be here today to address the Department of Labor's portion of President Clinton's Economic Stimulus Proposal. Our proposals include extension of Emergency Unemployment Compensation, expansion of the Summer Youth Employment and Training Program, and expansion of the Community Service Employment for Older Americans Program. These proposals would have an immediate and positive impact. Unemployed workers would continue to receive cash benefits to help pay bills and buy food; disadvantaged kids would work and earn an income while they learn the skills to succeed in school and in life; and more of our senior citizens could work to supplement their limited incomes.

The assistance provided by the economic stimulus package will contribute to increased economic activity and stimulate job creation. That is why the Administration believes it is appropriate to designate expenditures for these activities as emergency spending and exempt them from the requirements of the Budget Enforcement Act. Any immediate offset would diminish the positive effects of this stimulus. However, the cost of these benefits has been factored into the long-term deficit reduction package that the President announced last week.

Extension of Emergency Unemployment Compensation

On February 17, the Administration transmitted to the Congress legislation that would provide critical assistance to the unemployed by reauthorizing the Emergency Unemployment Compensation (EUC) program, which is due to expire on March 6, less than two weeks from today. The EUC program provides 20 to 26 weeks of emergency benefits, depending on the unemployment rate in a State, to unemployed workers who have exhausted their regular benefits. Under the proposal, claimants would be eligible to apply for EUC until October 2. Claimants receiving EUC benefits as of that date would continue to receive the benefits to which they had been entitled, except that no benefits would be payable after January 15, 1994.

I am pleased that last Thursday the Ways and Means Committee reported this reauthorizing legislation and we are hopeful that the House will pass this legislation tomorrow.
Unless rapid action is taken, nearly 1.8 million jobless Americans risk losing their shield against financial despair.

In order to fund this extension, the Administration is submitting to the Congress a request for $4 billion as part of a FY 1993 supplemental appropriation. An additional $2.4 billion will be requested for the Department's FY 1994 appropriation. To put these numbers in context, the Emergency Unemployment Compensation program has already paid out $14.6 billion in benefits to almost 5 million claimants. We are asking the Subcommittee's assistance in promptly considering our supplemental request.

The need for continuation of the Emergency Unemployment Compensation program can hardly be disputed. Although there is evidence that economic recovery is at long last underway, it is clear that serious problems still exist on the employment front. The total unemployment rate, which was 6.9 percent when the Emergency Unemployment Compensation program was first enacted, has exceeded 7 percent for fourteen consecutive months. The pace of job growth is lagging well behind other economic recoveries, and major companies, such as IBM, Sears, Boeing, and GM have recently announced plans to lay off thousands of employees. Unlike past economic downturns, many of those who lost their jobs in this recession will never be rehired by their former employer and must find new employment in different industries. Moreover, the labor market today is, in many respects, weaker than it was at the supposed trough of the recession. For example, the rates at which claimants are exhausting their regular State UI benefits and the average duration of benefit receipt are significantly higher than they were at the bottom of the recession.

We all recognize that many dislocated workers need more than extended unemployment benefits to get them permanently back on their feet. Therefore, the Emergency Unemployment Compensation legislative package also includes a new twist -- a proposal to encourage the states to "profile" dislocated workers. Under this plan, within five weeks after the initial claim is filed, states would identify workers who appear to be permanently displaced. Such workers would be referred to appropriate local services, which may include counseling on how to search for jobs, prepare resumes, and interview for job openings, and to appropriate job training programs. The Department's supplemental budget request includes $14.3 million to be used primarily for helping the States in designing and implementing automated profiling systems. These outlays will be offset by savings in benefits and increased revenues that will result from quicker reemployment of dislocated workers as well as placement in better and more stable jobs.

Summer Youth Employment and Training Program

Young Americans have an especially hard time finding jobs. The problem is worse for disadvantaged youth and worse yet in the cities. The Summer Youth Employment and Training Program provides economically disadvantaged youth ages 14 through 21 with summer work experience at public and nonprofit organizations. In our FY 1993 supplemental appropriation, we propose to expand funding by $1 billion, which will essentially double the summer jobs program.

As with other parts of the President's short-term stimulus proposal, however, we plan to use this expansion of summer jobs to leverage long-term, structural change in the program. Because the academic skills of disadvantaged young people tend to deteriorate seriously over the summer months, we believe summer jobs should be combined with learning. Therefore, we propose an aggressive campaign of academic enrichment, involving basic skills training, testing and counseling, and utilizing the public secondary education system. This effort will claim nearly a third of the extra summer jobs program funding.

Under our proposal, every local training program will see a substantial increase over last summer's funding. But both the consequences of youth idleness and the capacity to organize jobs programs tend to be greater in urban areas. Accordingly, funding also will be concentrated on the 100 American cities that have the greatest number of eligible youth.

This public summer jobs program will be coupled with and complemented by a vigorous campaign to expand private summer job opportunities for young Americans. The President and I will challenge the private sector to deliver summer jobs for young Americans.

This investment in our Nation's disadvantaged youth will result, eventually, in decreased welfare, decreased crime, and an improvement in our future work force.

Community Service Employment for Older Americans Program

For over twenty-five years, the Community Service Employment for Older Americans program has offered low income seniors meaningful work experience in community service projects ranging from health care to fire prevention. Seniors age 55 and older earn the minimum wage in part-time jobs at hospitals, schools, parks, community centers, and other government and nonprofit entities. Participants also receive personal and job-related counseling, annual physical examinations, and job training. While some one-fifth of all enrollees are placed in private sector jobs each year, many are extremely disadvantaged and would not obtain employment without program support.

The President proposes in the supplemental request to increase funding for the Community Service Employment for Older Americans program by over $32 million. This will increase the number of senior community service job slots by 5,300 to a total of nearly 70,000, the authorized slot level. The program will offer work experience to as many as 105,000 seniors in program year 1993.

Worker Adjustment Assistance Discretionary Funding

Besides the funding requested for the proposals I have just discussed, we are proposing appropriation language relating to worker adjustment assistance under the Job Training Partnership Act. Based on current projections, discretionary dislocated worker funds could be exhausted before July, due principally to major disasters, including Hurricane Andrew. Without authority to advance funds, State requests for additional assistance would go unfunded or be delayed. An advance of next year's funds is appropriate because we do not expect similar large outlays for natural disasters next year. This proposal will allow discretionary funding that was appropriated for the next program year to be available at the time the supplemental is enacted.

Mr. Chairman, I urge quick action on the President's Economic Stimulus Proposals. These proposals combine compassion with common sense. They provide dislocated workers with extended financial support, and offer them real assistance in getting them jobs that match their skills and interest. They offer disadvantaged youth meaningful summer jobs combined with learning opportunities that will enable them to start school in the fall where they left off in June, rather than falling behind. And they offer additional community service job opportunities for our senior citizens.

Mr. Chairman, this concludes my prepared statement. At this time I would be pleased to answer any questions you or other members of the Committee may have.

ROBERT B. REICH

22nd Secretary of Labor

An advisor to business, government and political leaders, Robert B. Reich has led a distinguished career in academia and public service which has been marked by his lifelong examination of the effect of changing global economic realities on working Americans. According to **Fortune Magazine**, "no one is better than Robert Reich at describing the challenges facing America from the emerging global economy." Fortune named Reich among 25 individuals who are making the U.S. more competitive.

Reich's work on Bill Clinton's economic plan, "Putting People First," defined the central challenges of the American economy and proposed a comprehensive response. The response included tax incentives for capital investments targeted to new machinery and equipment and to small business, investment in the country's deteriorating physical infrastructure and a national commitment to invest in the workforce.

A faculty member of Harvard's John F. Kennedy School of Government, Reich is the author of seven books and some 200 scholarly and popular articles on the American economy and the emerging global economy. His most recent book, **The Work of Nations: Preparing Ourselves for 21st Century Capitalism**, examines the challenges the American labor force faces in a global economy and calls for a national strategy to upgrade America's human resources.

Clinton nominated Reich as secretary of labor on Dec. 11, 1992. "I named my economic plan **Putting People First** to highlight my belief that our nation can only become a high-wage, high-growth economy if we make a commitment to invest in the American people," said Clinton. "With his help, I believe we can bring forth a revolution in lifetime training and education of our workforce."

Born in Scranton, Pa. in 1946, Reich grew up in rural South Salem, N.Y. His parents owned two retail clothing stores. Reich graduated from Dartmouth College -- of which he has been a trustee -- and received a law degree from Yale. A Rhodes Scholar, he holds a degree in philosophy, politics and economics from Oxford, where his classmate was Bill Clinton. While at Oxford, he also met his wife Clare Dalton, now a law professor at Northeastern University. Their two children are Sam and Adam.

After graduating from law school, Reich clerked for the Chief Judge of the U.S. Court of Appeals for the First Circuit. During the Ford Administration, he served as assistant to Solicitor General Robert Bork. His next appointment in the Ford Administration was as assistant director of the Federal Trade Commission's Bureau of Consumer Protection, where he oversaw and evaluated the work of the bureau's regulatory efforts. From 1976 to 1980, he headed the policy planning staff of the Federal Trade Commission.

His articles appear frequently in **The Harvard Business Review** and **The Atlantic**. Reich is also a contributing editor of **The New Republic** and of **World Policy**; chairman of the editorial board of the **American Prospect**; a regular columnist for Japan's leading newspaper, **Nihon Keizai Shimbun**; a frequent contributor to **The New York Times** and other newspapers; a regular commentator on public radio's **Marketplace** and public television's **Nightly Business Report**. In May 1992, Reich co-authored and hosted the acclaimed PBS television series **Made in America**.

# # #

Biographical Sketch
Carolyn M. Golding
Deputy Assistant Secretary of Labor
Employment and Training Administration
U.S. Department of Labor

Carolyn M. Golding was appointed as Deputy Assistant Secretary of Labor for the Employment and Training Administration on October 11, 1988. As Deputy Assistant Secretary, she has primary responsibility for providing operational leadership and direction to ETA's Office of Job Training Programs, including Job Corps, Unemployment Insurance Service, United States Employment Service and the Office of Work-Based Learning, including BAT. Ms. Golding previously served as Administrator of the Office of Employment Security, Director of the Unemployment Insurance Service, ETA Comptroller and Regional Administrator for Region IX.

She is a 1988 recipient of the Presidential Meritorious Award. She received the Philip Arnow Award, the Department of Labor's highest award, in 1989.

Ms. Golding was appointed to the Senior Executive Service in 1979 and a Charter Member. She entered Federal Service as a Management Intern in 1966, after completing graduate and undergraduate studies at Duke University.

Biographical Sketch

JAMES E. MCMULLEN

Budget Director
Department of Labor

Jim McMullen was appointed as Budget Director of the Department of Labor in September 1988. He joined the Department's Office of Budget in August 1980 and has held several positions in the Office since that time, the most recent being the Deputy Director.

Mr. McMullen came to the Department in 1978 as a Presidential Management Intern. During his internship he worked for the House Appropriations Committee, the Office of Management and Budget, as well as several locations in the Department. In 1988 he received special recognition from the William A. Jump Memorial Foundation for his outstanding achievements in the public service.

Mr. McMullen has a B.S. from Indiana State University, an M.P.A. from the School of Public and Environmental Affairs, Indiana University and a J.D. from the Indiana University School of Law.

He is a resident of Washington, D.C.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Training and Employment Services

For an additional amount for "Training and Employment Services," $1,000,000,000, to carry into effect the Job Training Partnership Act, of which $10,500,000 is for activities under part D of title IV of such Act, and $989,500,000 for activities under part B of title II of such Act: Provided, That of the funds provided herein for part B of title II, $18,500,000 shall be for territories and entities specified by section 252(a) of the Act, which shall be allotted based on the allotment methodology made to such areas under Public Law 102-170, of which $6,000,000 must be used only to provide academic enrichment activities, as defined by the Secretary: Provided further, That of the funds provided herein for part B of title II, each State and service delivery area shall be allotted an amount which, when added to its allotment from Public Law 102-170, results in a total amount which is 25 percent above the total of its allotments under Public Laws 101-517 and 102-302, except that such allotment to each State and service delivery area under this proviso shall be reduced by the amount of its unexpended carryover as of January 30, 1993: Provided further, That of the funds provided herein for part B of title II, $294,000,000 shall be for academic enrichment, as defined by the Secretary, and shall be allotted among States and allocated among service delivery areas on the basis of the relative number of economically disadvantaged youth, as defined in section 262 of the Act, in such areas as compared to the total number of economically disadvantaged youth in all States and service delivery areas within each State, respectively, and only to provide academic enrichment activities: Provided further, That funds made available herein for academic enrichment shall not be used to supplant other Federal funds for existing academic services or activities, and services shall be maintained at least at the level of funding used for these purposes during the summer of 1992: Provided further, That funds provided herein for part B of title II which are not allotted under the first three provisos under this heading shall be allotted to service delivery areas containing the 100 cities with the largest population of economically disadvantaged youth, as defined in Section 262 of the Act, on the basis of the relative number of economically disadvantaged youth in each of the service delivery areas as compared to total economically disadvantaged youth in all such service delivery areas: Provided further, That data related to economically disadvantaged youth herein shall be based on 1990 Census data: Provided further, That of the funds provided herein, except for the $294,000,000 expressly allotted for academic enrichment activities, service delivery areas may transfer up to 10 percent to the program under part C of title II of the Act, if such transfer is approved by the Governor: Provided further, That up to 3 percent of each State's allotment for academic enrichment may be reserved for State Administration, oversight, and support of a State practitioner's network.

Funds provided in Public Law 102-394 for part B of title III of such Act shall be available for obligation upon enactment of this Act.

This supplemental proposal is requested as part of the President's economic stimulus package. Of the $1 billion proposed, $989.5 million is for the Job Training Partnership Act Summer Youth Employment and Training Program for the summer of 1993. The funds will be used to provide economically disadvantaged youth with work experience and training. In addition, about one-third of the resources will be made available only for academic enrichment such as basic skills training, testing and counseling, and closer coordination with schools. Together with already-appropriated funding, a total of almost $1.7 billion would be available for grants to States and local areas during the summer of 1993. The additional $989.5 million would finance an estimated 675,400 summer jobs, for a total of almost 1.4 million youth who could participate. This would generate the equivalent of 111,600 full year jobs in FY 1993. All local areas will receive increased resources and, to attack urban unemployment, a portion of the supplemental proposal would be targeted on youth in inner cities. This public summer jobs program will be coupled with and complemented by a campaign to expand private summer job opportunities for young Americans.

In conjunction with the academic enrichment component of the Summer Youth Employment and Training Program, $10,000,000 is requested for developing models and demonstrations of enriched learning and work experience serving 7,200 youth during the summer months, identifying best practices of programs operated during the summer of 1993. Additional funding in the amount of $500,000 is requested for technical assistance and training activities associated with the Summer Youth Employment and Training Program.

In addition to the funding requested, appropriations language is proposed making Economic Dislocation and Worker Adjustment Assistance discretionary funding authorized by the Job Training Partnership Act and appropriated for the program year 1993 period July 1, 1993 to June 30, 1994, available at the time the supplemental is enacted. Based on present projections, program year 1992 funds could be exhausted before the end of the year, due principally to major natural disasters, including Hurricane Andrew. Without the authority to advance funds, State requests for additional assistance would go unfunded.

All supplemental funding requested would be obligated during fiscal year 1993, and outlays are estimated to occur as follows: 1993 - $660 million, 1994 - $340 million.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

State Unemployment Insurance and Employment Service Operations

For an additional amount for "State unemployment insurance and employment service operations," $14,300,000, to remain available until expended, which shall be expended from the Employment Security Administration account in the Unemployment Trust Fund, to fund worker profiling activities and for oversight of employment programs: Provided, That of the funds provided herein up to $2,700,000 may be transferred to the Program Administration account.

The goal of the worker profiling initiatives is to identify those workers who may face difficulties in finding new jobs and then to refer them to reemployment services early in their spell of unemployment. Grants to State employment security agencies totaling $9,400,000 will provide resources to States to develop systems to identify these structurally unemployed workers at the time they file for unemployment compensation. The balance will, among other things, finance a national ADP design center which will assist in developing the profiling systems.

Obligations would increase by $14 million in FY 1993 and outlays would increase by $9 million.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Community Service Employment for Older Americans

For an additional amount for "Community service employment for older Americans", $32,131,000, of which $24,987,000 for national grants or contracts with public agencies and public or private nonprofit organizations under section 506(a)(1)(A) of the Older Americans Act of 1965, as amended; and of which $7,526,000 for grants to States under section 506(a)(3) of said Act.

This supplemental proposal would provide part-time work opportunities in community service activities for unemployed, low-income persons aged 55 and over. Nearly 5,600 jobs would be provided by the proposal, raising the total supported to almost 70,000. This proposal offers work experience to about 103,000 seniors during the period July 1, 1993 through June 30, 1994.

This proposal would result in increased obligations of $32.1 million in FY 1993 and outlays are estimated to occur as follows: FY 1993 - $5.8 million, FY 1994 - $23.7 million, FY 1995 - $2.7 million.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Advances to the Unemployment Trust Fund and Other Funds

For an additional amount for "Advances to the unemployment trust fund and other funds," $4,000,000,000, to remain available until September 30, 1994.

This proposal would provide an increase of $4 billion, which is the estimated FY 1993 cost of benefits associated with the anticipated extension of the Emergency Unemployment Compensation (EUC) Act. These funds may be used to provide general revenue advances for the Extended Unemployment Compensation Account of the Unemployment Trust Fund as well as for advances to the Unemployment Trust Fund as authorized by sections 905(d) and 1203 of the Social Security Act, as amended; to the Black Lung Disability Trust fund as authorized by section 9501(c)(1) of the Internal Revenue Code of 1954, as amended; to the Unemployment Trust Fund as authorized by section 8509 of title 5, United States Code, and section 104(d) of Public Law 102-164; and to the "Federal unemployment benefits and allowances" account.

The anticipated EUC extension will provide for a continuation of the existing EUC program through October 2, 1993, and phase-out of remaining weeks of entitlement through January 15, 1994. The extension will provide benefits to 1.9 million beneficiaries. These EUC advances are non-repayable.

This proposal would result in increased obligations and outlays of $4 billion in FY 1993.

GENERAL PROVISIONS

Congress hereby designates all amounts provided in this Act as emergency requirements for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

This language would provide that Congress designate all amounts requested in this transmittal as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

SUMMER YOUTH EMPLOYMENT PROGRAM

Mr. NATCHER. Thank you, Mr. Secretary.

Mr. Secretary, as you know, for the summer of 1992, the Summer Youth Employment Program was funded at the level of $1,182,912,000, including a supplemental appropriation of $500,000,000. I believe you are now proposing to increase that to $1,682,912,000 for the summer of 1993, an increase of $500,000,000.

Mr. Secretary, how did you arrive at the figure of $500,000,000 for the increase? What did you take into consideration?

Secretary REICH. First of all, we wanted to provide every major area where there had been programs like this in the past, about a 25 percent increase. We also wanted to target the hundred cities where you have the greatest concentrations of impoverished kids. And we also figured in this new program which would provide academic enrichment.

Counting all of that, we came up with our budget request. And, again, I want to stress to you that all of the information we have, all of the pilot projects, all of the demonstration projects in the past show that the public more than gets its money's worth with regard to summer jobs for disadvantaged children, and particularly summer jobs that have an academic enrichment component.

POSSIBILITY OF A CARRYOVER

Mr. NATCHER. Some people may, Mr. Secretary, express concern that perhaps the States and the cities may not be able to spend all of this money, that we might end up with large amounts of carryover funds.

What would be your answer to that, Mr. Secretary?

Secretary REICH. Mr. Chairman, I wasn't in office at the time, but my investigations have led me to conclude that the primary reason that money was not spent in previous summers is that the program got off to such a late start. I believe that last year it wasn't until late June that the mayors even knew that they would have funds for this particular program.

That is why I and the President are so desirous of getting this program started, having the assurance to go to the mayors, go to places where this is needed, and tell them that indeed the money will be available for these programs in an early enough time so they can get these things organized and do a very good job.

We have talked with the mayors, we have talked with the cities, administrators, and we have received assurance that with enough time, they can do an extraordinarily good job providing the jobs for kids, but also providing academic enrichment, the kind of tutoring programs we have also been urging.

Mr. NATCHER. Mr. Secretary, when does the supplemental bill need to be enacted into law in order to make this summer jobs program work correctly?

Secretary REICH. In order to have the summer jobs program work correctly, I would say, Mr. Chairman, that the cities, the mayors, the various institutions that are involved, including the high schools, would need as much notice as is possible.

April 1st would allow six weeks of planning, which is adequate. I would say that the general rule here ought to be the sooner that we can provide the assurance, the better assurance we have in turn of high quality programs.

AUTHORIZING COMMITTEE

Mr. **Natcher**. Mr. Secretary, as you know, from time to time, some of the authorizing committees and the chairman of the committees say to us that we are legislating in our appropriation bills. We have had that complaint down through the years.

All the members of this subcommittee have decided that this complaint will not be presented in the future. We are just not going to do it. We are not going to legislate in appropriation bills.

We had this up not too long ago. We went to the Speaker and talked to him about it and I say this for Tom Foley. Tom Foley is a good Speaker and he solved this problem for all of us right quickly and it helped us.

In this bill, as you well know, as far as the Summer Youth Program formula is concerned, the formula is changed. In addition the formula has changed under Chapter 1.

I call this to your attention. Mr. Secretary, you have handled it right. You went directly to the chairman of the authorizing committee and he is our friend, Bill Ford of Michigan, chairman of the Education and Labor Committee. I have here a letter directed to me and to the subcommittee in which Bill Ford says that, under the situation as it exists today, that he joins with us as far as the two formula changes are concerned.

He does have a reservation in here. This does not apply to the future on these particular matters or on anything else. He is an able chairman, and this is a matter, Mr. Secretary, where it is statesmanship instead of politics. There is no question about that. And we appreciate it.

This letter will be incorporated in the record at this point.

[The information follows:]

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COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

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(TTY)—(202) 226-3372
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(TTY)—(202) 226-3113

February 23, 1993

The Honorable William H. Natcher
Chairman
Committee on Appropriations
H 218 Capitol
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

At the request of Secretary Reich, I am writing to indicate my approval of the Appropriations Committee's desire to move quickly legislation implementing the President's stimulus plan despite the fact that it contains authorization language to which I would normally object.

As the Chairman of the Committee with jurisdiction over programs administered by the Department of Labor and the Department of Education, I reserve the right to object to any such language in an appropriations bill in the future. However, because I share your interest and the Administration's interest in expediting action on this important initiative, I will not object.

I will also take this opportunity to support strongly those provisions in the Administration's economic stimulus proposal which would provide additional funds for programs under this Committee's jurisdiction such as Chapter 1, Head Start, child care and feeding, and WIC and summer youth employment. I urge your Committee to act swiftly on this much-needed economic package.

With best wishes,

Sincerely,

Bill Ford

WILLIAM D. FORD
Chairman

WDF:pr

Mr. **Natcher**. The chairman of the other committee joins with us. He understands the emergency. And if we want to help our new President, this is the time to start, Mr. Secretary.

Mr. Porter, I yield to you.

SUPPLEMENTAL AND 1994 REQUEST

Mr. **Porter**. Mr. Chairman, thank you very much.

Mr. Secretary, I want to add my welcome to you to the subcommittee. We wish you success in your service to our country. We appreciate especially your accessibility. You and I met just a short time ago and you said, any problems, just pick up the phone and I very much appreciate that. And all of us on this side wish you well.

I hope that you won't interpret my opposition to the economic stimulus package in a personal way. It merely is the way in which this package was presented. So with that as a background, Mr. Secretary, usually incoming administrations traditionally submit supplemental rescission requests in tandem with the succeeding year's budget, and in fact, we expect that we will have another supplemental coming up in several weeks. This practice allows us to consider the supplemental in the context of what we will have in spending for the next fiscal year.

I wonder why you have departed from this past practice in this case.

Secretary **Reich**. Congressman, the emergency supplemental is here for a couple of reasons. One, because it is the opinion of the administration that we need to have an economic stimulus and we need to have it as soon as possible. As I said in my opening remarks, we are now suffering from a jobless recovery, a recovery that in many respects is a good, strong recovery except in perhaps the most crucial respect, that is in terms of creating new jobs.

We have 9,000,000 people still unemployed, approximately 2,000,000 people too discouraged to look for work, a great deal of holding back by employers from creating new employment. Some of the reason that employers are holding back, I feel, and fear, is that they are not yet satisfied that this is going to be a sustainable recovery because there are not new jobs. We get into a little bit of a prisoner's dilemma.

This kind of a stimulus, we believe, is necessary in order to break that logjam and to restore the economy and, again, to get us back on track. Congress will shortly be receiving a plan from the administration with regard to fiscal years 1994 through 1997 which attempts to improve the track of the American economy, generally. But before we do that, we have got to get ourselves back on track and that is why the supplemental is being sought.

EFFECTIVENESS OF STIMULUS PROPOSAL

Mr. **Porter**. Mr. Secretary, I certainly give the President very high marks for willingness to take on the serious deficit problem that we face and to have a plan that he has offered, even though I may disagree with portions of the plan. But we are now stimulating the economy to the extent of $330,000,000,000 at the moment. And this economic package that the President is offering would stimulate it another $16 billion in a $5,000,000,000,000 economy.

It seems to me that what you are really doing is sending a very, very mixed message. You are saying to the American people and the Congress, on the one hand the deficit is a serious problem but in the short term, we want to add another $31,000,000,000 to that deficit and then we want to start on the process of bringing the deficit down.

It seems to many of us that this will end up being something very akin to what we have seen in the past, and that is a package that comes too late, that really doesn't create any jobs that wouldn't have been created by the economic recovery anyway. If you look back to the 1983 Emergency Jobs Act when it was evaluated by the GAO, they said it was not effective in relieving high unemployment caused by the recession. New jobs were not created when they were needed in the economy.

And many of us believe that all you are really going to do is end up adding to the deficit and making the problem just that much worse in order to bring the deficit down in the future.

Also, you have said there are 9,000,000 unemployed. I understand that the intent of the package is to create 500,000 new jobs through government stimulus. That is hardly a major dent in the 9,000,000 people that are out of work today.

For all of those reasons, it seems to many of us that what you are really going to do is simply spend a lot of money that you are going to have to ask taxpayers to pay back in the future and it won't really do anything to solve the problems.

Secretary Reich. The recovery, or so-called recovery, is approximately 3,000,000 jobs short of what you expect in a normal recovery 22 months out from the trough. That is, a normal recovery, if you take the past four recoveries as a measure, on average creates about 3,400,000, 3,500,000 jobs. We have created less than 500,000 new jobs, so we are 3,000,000 jobs short of what one would expect at this particular point in the recovery.

The administration believes it is necessary to get those jobs back, to get the economy back on track, before we tackle the two big challenges ahead over the long term. One is deficit reduction, the second is increasing public investment as well, shifting the Federal budget from spending to investment.

Now, both of those long-term goals must be achieved if we are going to improve living standards in this country, but the first objective, the primary objective immediately is jobs, and Americans have got to get put back to work. The question you raise about the size of the package relative to either the size of the current deficit or the size of the economy, generally, granted, if we are talking generally about a $30,000,000,000 stimulus package, it doesn't seem like much in a $6,000,000,000,000 economy, but again, in our judgment, it is enough to break the logjam.

Small and medium-sized businesses, as you know, are the source of growth in this economy. Big businesses continue to cut back. Small, medium-sized businesses are holding back. They are expanding their overtime, they are using their workers to a greater extent, workers already hired, but they are not taking the next step. They are not hiring new workers.

Our best guess for the reason why they are not hiring new workers is they still don't feel confident that this is a sustainable recovery. We want to send a very clear signal to the business community. We also want to create jobs as directly as possible. This responds to the final point that you made. This stimulus package is directed at immediate job creation.

When we put the stimulus package together, we asked ourselves and we advised the President with regard to the answers we came up with, what kind of stimulus will generate jobs immediately, what kind of stimulus will generate jobs which have a high multiplier attached to them, jobs that are in fact going to lift the local economy around them, and thirdly, what kind of jobs are going to go to people who are most in need of jobs who have been out of work longest, who have been most in pain during this recession.

I might add a fourth, and that is, what are the ways in which you can get money into the system fast which will sustain and increase purchasing power, particularly among people who have seen a big cut in their purchasing power.

Now, if you look at the particular elements of the stimulus package being proposed by the Department of Labor, I think you see all of those aspects. A summer jobs program for kids is not only a long-term investment with regard to job discipline, skills, making sure that they don't slide backwards over the summer with regard to their high school preparation, but it is also a way of getting purchasing power out there fairly quickly.

It is also a way of creating, in the short term, jobs. Even though they are temporary jobs, they are jobs that in a stimulative, macroeconomic sense, do have a beneficial effect on the economy.

Same thing with emergency unemployment compensation. We have over a million people who are unemployed and are in danger of losing their unemployment insurance. The emergency unemployment compensation extension, which we are advocating, will be a way of making sure not only that those people preserve their living standards, but also that they have the wherewithal to purchase goods and services and sustain the local economies that they may be inhabiting.

SUMMER YOUTH CARRYOVER

Mr. **Porter**. Mr. Secretary, looking at the Summer Youth Program, last year we put in supplemental funding for this program. We found that all of it could not be spent. Do you know how much the carryover was?

Secretary **Reich**. Yes. The unexpended carryover from last summer was $267,000,000.

Mr. **Porter**. So $267,000,000.

Secretary **Reich**. Yes, 267.

Mr. **Porter**. We did a supplemental of $500,000,000, $267 million couldn't even be spent during the fiscal year and was carried over, now we are going to add a billion dollars to that. How are you going to spend all this money that fast and get results when it couldn't even be spent last year when the need was greater, I might say.

Secretary **Reich**. According to my investigation, the big reason why it was so difficult last year to spend that money and do it well had to do with lateness by which the mayors knew that that money was available. The appropriation was June 26. By June 26, it is difficult for even the most talented mayor to construct a summer jobs program that is going to be very helpful to a lot of young people.

Here we sit in February. I am not suggesting that you do your work immediately, tomorrow, but I do believe that we have a running start on the problem, and if we can get a supplemental appropriation in March or certainly by the very beginning of April, that gives mayors and program officials a running start to make sure that this is indeed a good program, that works.

In fact, I am amazed, quite frankly, last summer that with an appropriation that occurred as late as the end of June, that we had as much youth employment as we, in fact, did.

Mr. PORTER. Mr. Secretary, I understand that even with the $1,000,000,000, that you would plan—that $340,000,000 of that would outlay in fiscal 1994. Is that going to support the summer 1993 program consistent with the President's stimulus criteria, or is that going to support the 1994 summer program, and if so, why would you need it as an emergency supplemental?

Secretary REICH. Let me explain, and then if I am explaining it wrong—or perhaps my colleagues can jump in on this one. My understanding is that the part that is carried over to 1994 has to do with actually the outlays, the payments of contractors for work which occurred during the summer of 1993. This is simply the money that leaves the government to go to pay the contractors, but actually the work will be done, the programs will occur in the summer of 1993.

Mr. PORTER. So all this would apply to the summer of 1993?

Secretary REICH. We expect that all but a small portion would be expended for the summer of 1993.

INSPECTOR GENERAL'S FINDINGS ON JTPA

Mr. PORTER. Mr. Secretary, during our initial hearings before the committee, the Deputy Inspector General testified before us that criminal fraud and mismanagement of the JTPA programs were the most serious problems facing your department today, in his opinion, the most serious problems. He used the words "outright stealing."

This has been a major concern of the IG's for some time. It was prominently featured in the most recent IG audit plan. You now have on your desk in your office the results of the IG's audit of the Summer Youth Program awaiting your action before it can be released to the public.

We would like to know what that audit contains. I wonder if you could share the results of the audit with the subcommittee before we act on this supplemental.

Secretary REICH. Let me say just a few things. Yes, I certainly can and will share it with the subcommittee. I did review that with the Inspector General's staff and have a full report. I am not completely satisfied by any means that the JTPA program in general is being managed as it should be.

As you know, the Clinton administration is recommending that non-stimulus, non-investment JTPA funds be frozen at the 1993 level broadly. Let me also state that the JTPA amendments of 1992 did strengthen the fiscal and the financial accountability standards.

Now, those amendments will become effective July 1st, 1993. The big changes are financial transactions have to be conducted and records maintained in accordance with generally accepted accounting principles applicable in each State, the Secretary must prescribe regulations on uniform cost principles substantially equivalent to those generally applicable to recipients of Federal grant funds, and all costs under JTPA must be charged to appropriate cost categories, with two exceptions, tuition and off-shelf training costs.

I am told by staff that these changes will go a long way toward rectifying some of the concerns that the Inspector General had. One of the biggest concerns, by the way, that the Inspector General shared with me was the difficulty of simply evaluating the ongoing JTPA programs, knowing whether the public was getting its money's worth.

It may be that the JTPA programs are doing a very good job, it may be that they aren't. It was just that the measurements were not there. There was not adequate information available to the Inspector General to be making adequate appraisals of those ongoing JTPA programs.

But if I may, Congressman, on the summer jobs program, which is a separate part of JTPA, we do have a record on that, and there are a number of pilot studies and demonstration projects with regard to the academic enrichment aspect in particular which we are advocating.

SUMMER YOUTH AUDIT REPORT

Mr. PORTER. Mr. Secretary, if I can reclaim my time for just a second, am I to understand correctly that you will share with us immediately the results of the audit of the Summer Youth Program? Because we are scheduled to mark up this bill tomorrow.

You are asking us for a billion dollars in new money and we have a report from the IG saying that there is a lot of criminal fraud, outright stealing, he says, going on. Would you share that with us today?

Secretary REICH. Let me ask Ms. Golding to respond to that because it is a draft report which is not final.

Ms. GOLDING. As soon as the report is final, we will be ready to share it. Right now, it exists only in draft.

Mr. PORTER. When will it be final?

Ms. GOLDING. Probably within the next month. Normally there is a draft report circulated for corrections, and we have 30 days to make corrections before it becomes final, and that report was just released for internal correction within the past week.

Mr. PORTER. It seems to me a very, very serious matter to come to the Congress and ask for a billion new dollars when you have got an IG saying that a lot of the money is being wasted and, in fact, perhaps even stolen. And it seems to me that if you could share the results of that report with us immediately, we would be able to evaluate our responsibilities regarding the billion dollars a lot better than we can a month from now.

Ms. GOLDING. I believe the report that you are referring to is the one in which the IG indicated that JTPA was the number one issue for the Department on vulnerability, and I don't believe that he was making those comments in association with the summer program at all.

I believe he was talking about the financial reporting items that the Secretary just referred to that the IG also agrees were corrected in the JTPA amendments. In fact, it was the IG who sponsored those portions of the amendments and who felt that they were essential to the future integrity of the program.

Secretary REICH. Let me assure——

Mr. PORTER. Mr. Secretary, I am going to have to go down and vote right now. I will be back and we can revisit this issue either when I return or at the end of the rest of the questions.

Mr. NATCHER. Mr. Smith, I yield to you.

GUARANTEED JOB

Mr. SMITH. Secretary Reich, I hope—I really hope that you happened to come into this office in a new administration at a time when you can do something more than we have done before about these periods when we have high unemployment on a permanent basis. I say that with this background: I remember in 1983 we had a multi-billion dollar bill. We had $19,000,000,000 in extended unemployment compensation.

One of my neighbors got extended unemployment compensation twice. His unemployment comp that was paid for by the taxpayers was more income than another neighbor had who was paying taxes to pay it. Besides that, didn't have child care, didn't pay taxes on it, and the other neighbor noticed that. It is not that people don't notice these things out there, and then we are going to have these cyclical periods, I think, where you will have more unemployment and less.

We don't seem to notice the people who have never had a job except in times when other people who usually have a job are out unemployed. Then all at once we notice them. We financed one last year on the backs of small business people, made them overestimate their income and file for a refund next April. We call that raising money, you know. It just seems to me we ought to do something different.

We base it on a percentage of your neighbors that are unemployed. And I know this is not the unemployment comp bill, but it relates to it. Somebody who is unemployed is just as unemployed whether 5 percent of their neighbors are unemployed or 7 percent. They are just in the same situation, but somehow we have gotten that into the equation, and then it is whether or not you have been previously unemployed—previously employed that determines whether or not you are eligible.

It seems like to me we ought to have some kind of system that anybody that shows up, wants a job, proves he wants a job and is willing to work, ought to have some kind of compensation. Instead we weighed it all one direction.

You are acquainted, I am sure, with the Australian system?

Secretary REICH. Yes. Congressman, you are bringing up a large and extremely important set of issues. The unemployment insurance system in this country, as you are aware, better than I, was founded upon a notion which held that joblessness was temporary. Somebody would probably get their job back. It was a cyclical phenomenon premised upon the troughs of the business cycle.

What we are seeing today, however, is that an increasing number of jobless people are jobless not because they are going to get their job back, because they were simply temporarily laid off, but because their business has closed or has slimmed down or their industry has slimmed down. In fact, you may be interested, Congressman, that over the last four recessions, on average, only 14 percent of the jobless reported that they did not expect to get their job back. Everyone else expected to get their job back. They said they were in layoff. This time 44 percent, say that they do not expect to get their job back.

This recession marks a turning point in terms of unemployment in this country. Given that, this all takes on a new importance. We have to revisit many of the assumptions underlying our entire unemployment insurance system.

Mr. SMITH. Well, I know we got to do this today. I mean, permanent solutions can wait. We have got to do what we are doing today. But are you going to work on that?

Secretary REICH. Absolutely. I intend to.

Mr. SMITH. And especially I am thinking about those people who have never been lucky enough to have had a job. Somehow they ought to be factored into the system and not put at the bottom of the scale after everybody who has already had a job.

Secretary REICH. Also, I want to bring the Congressman's attention to the larger, growing number of working poor we have in this country. As you know, 18 percent of our full-time workers, people who are playing by all the rules, are working under the poverty line for a family of four. This never happened before since we have been keeping the statistics that we have had such a large number of working poor.

Well, what about them? We need to worry about them almost as much if not more than we have to worry about people who are dislocated. This is a tremendous problem in this economy and I, at the Department of Labor and indeed the President himself, intend to work on this issue.

Mr. NATCHER. Mrs. Bentley. I yield to you.

EMERGENCY UNEMPLOYMENT COMPENSATION

Mrs. BENTLEY. Thank you, Mr. Chairman.

Good afternoon, Mr. Secretary. As you know, Mr. Secretary, jobs are one thing I have been hollering about for a long time. I think you and I discussed this matter on a TV show not too long ago. As you know, I have supported all three of the past unemployment compensation extensions.

However, I have some serious doubts with this one, the reason being that with no funding provided, it is going to add to the deficit. Second, in the last extension, there was a trigger mechanism set in place for those States which had higher than average unemployment rates. Have any of those States triggered on a program of their own—I think there are 21 States.

Secretary REICH. Yes. In fact, a figure that comes to mind is 26. But in any event, Congresswoman, you are absolutely correct. To my knowledge, States have not passed the enabling legislation, but at this point in time, most States are finding—at least most States that are eligible or would be eligible with regard to the Emergency Extended Unemployment Benefits, should you provide that money—that they have no money in their funds in any event. We would have to bail out those funds even if they adopted the extended benefit program so that the fiscal effect would be precisely the same with regard to the Federal Government.

Let me get back to the first part of your point. We are asking this committee to approve an appropriation here which is part of a stimulus package undoubtedly. This is different from previous emergency extensions because there are two purposes being served. Not only are we hoping to aid people who have not been able to get jobs back after their normal unemployment insurance runs out, but we also want to stimulate the economy, get money into the economy so that we can improve economic performance in the short term and get jobs back so that, over the longer term, the deficit reduction and public investment, the twin pillars of the President's larger economic package, can be put into effect.

There is some danger in doing a great deal of deficit reduction before people have jobs, obviously. We need to get the economy moving in the short term so that the jobs are there. Then we have to worry about the quality of the jobs, and we have talked about this before. Even when people have jobs, there is a large and growing problem of what those jobs pay and the benefits and working conditions associated with those jobs. That is where the big package comes in.

WORKER PROFILING

Mrs. BENTLEY. One other question, Mr. Secretary. In your statement, you talk about your budget request including 14,300,000 to be used primarily for helping the States design and implement an automated profiling system. Don't we already have a Federal program to encourage States to integrate their unemployment and employment services?

Secretary REICH. My understanding is that this would be the first program that would actually provide the States with money to do something that, again, a few States have tried on an experimental basis, which is no later than five weeks to identify those people who are likely to be long-term unemployed.

As I mentioned before to Congressman Smith, we have in this recession a much greater degree of structural unemployment than we have seen in previous recessions. This particular innovation would allow the States, using computer technology, information technology, to identify people based on industries that are most likely to be contracting, therefore not likely to provide jobs again to those people. Based upon certain characteristics of the employers and the individuals, we could pinpoint who is most likely to be structurally unemployed over the long term and get them referred as fast as possible to job search and training resources on a voluntary basis.

This is an innovation that, in my judgment, based upon the data we have, will actually save money because it does shrink the duration of long-term unemployment.

Mrs. BENTLEY. Do I have time for one more question, Mr. Chairman?

Mr. NATCHER. You certainly do. Go right ahead.

EFFECTIVENESS OF OLDER WORKER PROGRAM

Mrs. BENTLEY. Your stimulus package includes an increase in the funding for the Community Service Employment Program for seniors. Critics believe that the funds used for this program would be better spent on our young people regarding training needs, rather than as a supplement for those over 55.

As one who has advocated programs that would use our senior citizens in a more productive way, such as in an adult day care center and child care centers—in fact I have introduced legislation to do just that—I would be interested in your thoughts about the effectiveness of the Community Service Employment Program.

For example, do we have any idea how many people use it, how many seniors graduate to other private sector jobs, and how much private money is in the program?

Secretary REICH. We can get them to you. But let me just say that the evidence that I have suggests that the program works well. It is also a very popular program. It is a program that incorporates both our society's desire to make sure that senior citizens lead full and productive lives after they retire, but also deals with some of the social concerns we have as a society.

In fiscal year 1993, with regard to the appropriation, we are seeking an appropriation that would provide 5,300 additional slots above the 64,400 slots already funded.

Mrs. BENTLEY. Thank you.

[CLERK'S NOTE.—The information discussed was not available for printing and will be supplied at a later date.]

Mr. NATCHER. Mr. Obey, I yield to you.

Mr. OBEY. Thank you, Mr. Chairman. Mr. Secretary, I want to congratulate you for the fact that you have included community service job programs in your request. Mr. Smith and I were talking earlier, he and I have been pretty enthusiastic supporters of those programs through the years and I just have to tell you, I have seen an awful lot of job programs that don't work, but I have also visited an awful lot of community service jobsites through the years, and nothing impressed me as much as going out in a number of the rural counties that I represent, going back into the woods and seeing these senior workers, some of them 75, 80 years old, still tough as nails, still able to put in a good hard day's work—teamed with kids from youth programs, and teaching a kid who had never known what it meant to show up on time, never knew what it meant to put in a hard day's work, never known what it meant to learn a skill, to have these 70, 75 year old workers taking these young kids and educating them not only in the basics of wood working or in the basics of timber cleanup, but also in the basics of just work habits, and if there is a way in my view that you can meld the experience of these senior workers with a lot of these very young kids, you really get a tremendous dynamic experience going there.

It works a whole lot better than if a middle-aged worker working with these kids because these kids seem somehow to have a much better chemistry with somebody who they see pretty much as their grandfather rather than the father figure who often they resent, and I just think it is a great combination if you can encourage it.

NEED FOR STIMULUS

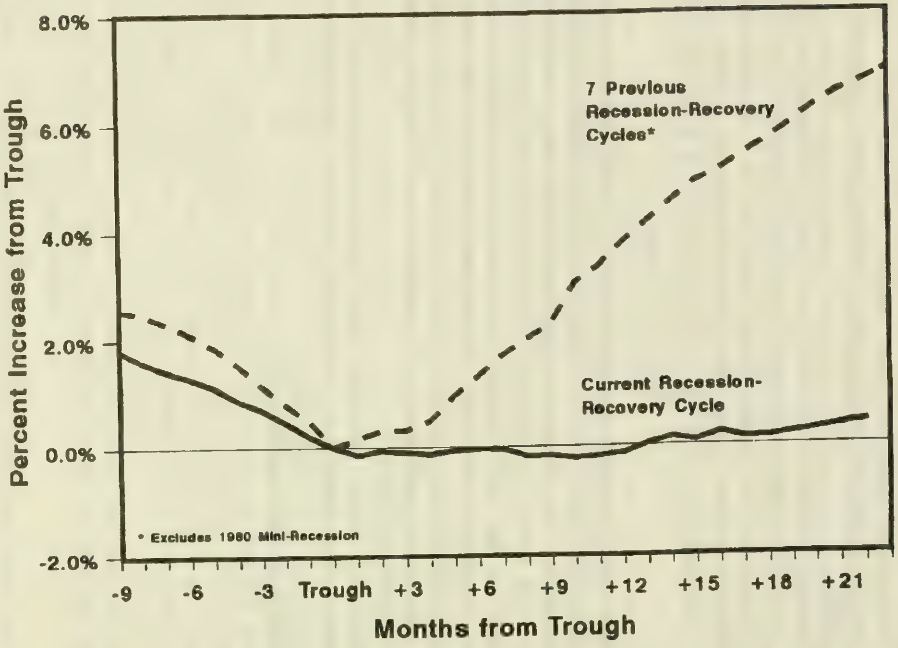
I just want to make a couple points. I don't really have any questions. First of all, I think it ought to be emphasized that the supplemental or the stimulus package which you are proposing does not in fact spend one dime above the amount agreed to in overall spending in the 1990 summit. All we are in effect doing is taking dollars which, under that agreement would have been spent on military programs, moving them here at home to deal with our high priority programs. So it seems to me that we need to recognize that first of all.

Second, for those who say that the unemployment compensation program concerns them, I have got a little chart here which you probably can't see back there.

[The information follows:]

The Jobs Recession

Growth of Payroll Employment from Trough



* Excludes 1980 Mini-Recession

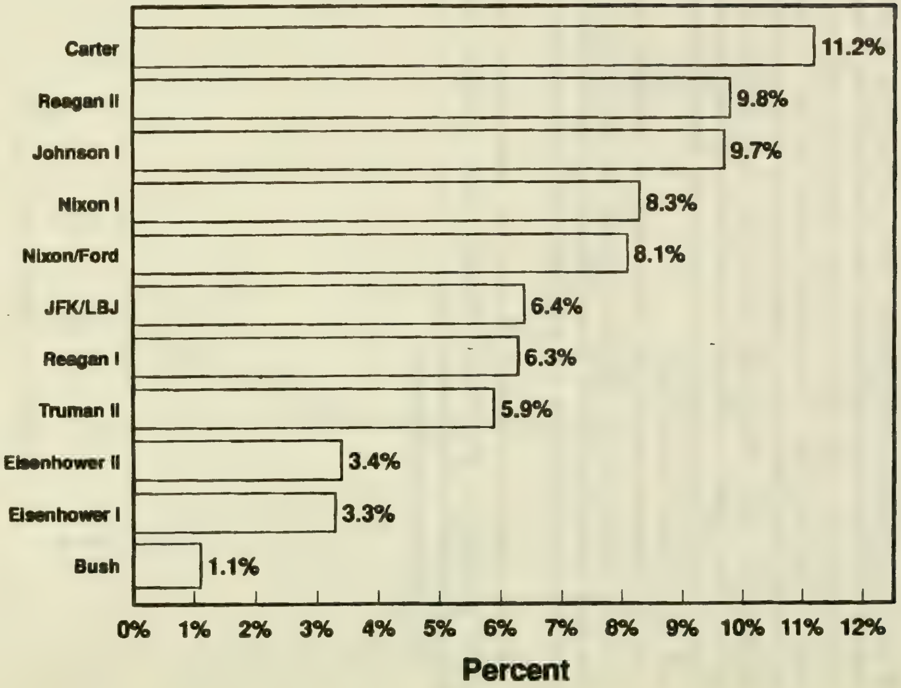
Source: Bureau of Labor Statistics and Joint Economic Committee

Mr. Obey. This chart shows the difference between the average of the 7 previous recoveries and this recovery in terms of the percentage of the total employed who are long-term employed, and when in fact you take a look at that chart, you will see that in contrast to the previous 7 recessions, where we are 21 months out of the trough, you had a very small share of the employed—or of the unemployed who were long term, this time around it is a much higher share, and in contrast to previous recessions where you had a large up-tick in temporarily unemployed people, this time around you really didn't have that.

In this recession we stayed fairly even in terms of the temporarily unemployed, but we had a huge up-tick in terms of the people who are unemployed full time. That is a crucial difference, and I think that explains why we are here with the unemployment package.

With respect to whether or not we need either the unemployment package or the other pieces, I have another chart which I think illustrates why we are here.

[The information follows:}



Employment Growth
During 4-year Term

Mr. **Obey**. If you take—and arranged by presidential terms, the employment growth over four-year periods, and I have got these arranged in descending order of employment growth. You see, for instance, under Carter you had 11.2 percent increase in employment during the four-year term. Reagan, second term, 9.8, on down in descending order to Eisenhower's 3.3 and 3.4. The previous past 4-year period we are barely on the graph.

In the previous graph which I think it is useful to point out, if you compare the growth in employment after the recession has technically ended, you see that in the 7 previous recession recovery periods, we had by this time in the recovery, a tremendous increase in the number of jobs that were being provided by the economy.

This time around we are still clumping along on the bottom, some 3,000,000 jobs below where we would be if we had reached the average of the previous seven recoveries.

Secretary **Reich**. Congressman, if I could just add to that point.

Mr. **Obey**. I think you are right on target.

Secretary **Reich**. If I could underscore that point by saying that we have, in this country, gotten into the understandable habit of measuring a business cycle in terms of economic growth or measuring a recession in terms of 2 quarters of negative growth. But if we measured recessions and recoveries in terms of jobs, we would not call our present state a recovery. This is not a recovery with regard to the labor market.

Mr. **Obey**. Well, I notice that when George Will was questioning Treasury Secretary Bentsen Sunday and he pointed out that the recovery had not yet become a job recovery, Mr. Will said, well, that is good. I think he is one of the few Americans who would think that is good but that is all I have, Mr. Chairman.

Mr. **Natcher**. Mr. Bonilla, I yield to you.

SUMMER FUNDING DISTRIBUTION

Mr. **Bonilla**. Thank you, Mr. Chairman. Mr. Secretary, first of all, thank you for coming here today. It certainly is a great learning experience for all of us and a tremendous compliment on your part. I would like to ask first of all about the summer jobs and start out with: Are any of those designated for rural areas or are they entirely going to the top 100 cities?

Secretary **Reich**. Carolyn, do you want to answer that?

Ms. **Golding**. In fact, the first step in the equation is to give a 25 percent increase to every area, whether it is rural or urban, that has had a summer program. So out of the approximately 640 service delivery areas, all of them will get a 25 percent increase.

Then, in addition, there is a $300,000,000 set aside for academic enrichment, and that will also go to all 640 service delivery areas. Then the final increment is to add the remaining amount to the 100 cities who have the largest amounts of economically disadvantaged youth, and the current estimate for that last cohort is about $160,000,000.

So the rest of the money out of the $1,000,000,000 supplemental would be going to the areas generally.

Mr. **Bonilla**. I ask that because I am concerned that in this country and rightly so, a lot of different parts of our society have problems, but I sometimes feel that they are too focused on the larger cities because that is what the bigger news media focuses. I come from the news media and worked for them for a long time, so I know they tend to concentrate and showcase on the big cities while some of the smaller communities don't get mentioned on the nightly news each night.

Secretary REICH. As Carolyn has deciphered for me and for us, that basic formula is spread to every place where you do have disadvantaged youth. But let me add one particular point. I think that there is a justification for putting that extra money into the 100 largest concentrations because the mere fact of a concentration of impoverished youth adds very often to the social problems associated with impoverished youth.

Mr. BONILLA. These jobs are all obviously temporary jobs. In the future, does the administration intend to ask for funding to continue this indefinitely?

Secretary REICH. The administration will ask for funding as in the past years for summer youth jobs, not only to the extent of this coming summer simply because we are still in a jobs recession, and because we do want to stimulate the economy. There are some special problems and some special opportunities with regard to this summer, but there will be in the proposed fiscal year 1994 through 1997 budget package, additional proposals with regard to summer youth generally.

Let me just add one other point. We will be asking, in fact, even challenging the private sector, to come up with at least as many summer jobs for disadvantaged youth as we in the public sector are proposing. Public and private sector jobs together need to respond to the problem. The private sector has done a fairly good job in the past, but if we are expanding the public's investment in this kind of a program for all of the reasons before mentioned, that it makes good sense to give young kids the kind of discipline, job training, academic enrichment, and structured program in the summer, then I think the private sector also has a responsibility here, and we are going to be emphasizing that in the coming months.

Mr. BONILLA. Speaking of the private sector, I will tell you I have a problem supporting the free enterprise system thinking that the Federal job, for example—is better for America's economy than creating a permanent private sector job. I guess I am not looking necessarily for an answer, but just to express what I believe and what made this country strong is the private sector permanent jobs. I feel like we are moving too far in the direction of creating Federal jobs. Many mistakenly think they are paid for by some Washington fund that comes from someplace that nobody knows, but in fact it comes out of the private sector funds anyway.

So if you have comments on that, I would appreciate your thoughts.

Secretary REICH. I would, in general, agree with you, particularly with regard to programs which are intended to train young people, give them job skills and discipline, get them off the streets, and give them academic enrichment. That is why the private sector's participation is so crucial.

Last summer the private sector created about a million summer jobs according to the Bureau of Labor Statistics. But if we are talking about this coming summer, the public sector creating 1.3 million summer jobs in community service for youth, it seems to me it is not too much to ask the private sector to come up with at least 1,500,000 jobs as well for those needy populations.

Mr. BONILLA. Thank you, Mr. Secretary. Thank you, Mr. Chairman.

Mr. NATCHER. Mr. Hoyer, I yield.

LINKING SUMMER YOUTH WITH EDUCATION

Mr. HOYER. Thank you very much. Mr. Secretary, I apologize. I was chairing another hearing and therefore could not be here. A number of the questions I wanted to ask have been asked, but your academic enrichment initiative intrigues me and I think could be a very important component. You say in your testimony you want to utilize the secondary school system.

To what extent have you and Secretary Riley determined the feasibility of getting this up and going this summer and the extent to which the secondary school system is looking forward to participating in this? I think it is an excellent idea. I think obviously a summer job is not enough. We have got to give them the fishing pole so they can catch the fish essentially.

Secretary REICH. Yes. Again, Congressman, a lot of this depends on the timing. The longer lead time that the school systems have, the more likely it is that they can gear up. Obviously many teachers will be seeking summer employment or will be making some sort of plans for the summer. The sooner that we can give them a signal that there is this opportunity and this possibility for them, the better and more likely it is that they will be able to participate.

Secretary Riley is going to be appearing before this committee shortly. He and I have been collaborating on all kinds of things. In fact, many of the programs which will be incorporated and proposed in the President's 1994 through 1997 budget dealing with education and labor and training, such as school to work, require the cooperation and collaboration of the Departments of Labor and Education and I am awfully glad he was there, because he is a dear friend and also an extraordinarily talented man.

Mr. HOYER. I certainly agree with you that Secretary Riley is an extraordinarily capable individual. You are going to take a third of the funding, approximately, for the educational component.

Secretary REICH. Yes.

Mr. HOYER. Okay. I look forward to working with you on this critically important part of the stimulus package. I think the President's long term investment in people is what it is all about.

Temporary sustenance is important of course. If you don't feed somebody while you want to teach them, they are not going to learn very well.

But on the other hand, if you don't teach them, they won't be able to feed themselves. That is essentially what you are saying here. I think it is right on target.

Secretary REICH. It is absolutely critical. The President is committed to this and he talked about it in his address the other night to the joint session of Congress. Many of our kids, particularly our disadvantaged kids, during the summer lose an awful lot of what they gained academically during the preceding year.

Studies show if you can help those kids during the summer, give them a structured job and some academic enrichment, you go an awfully long way to preventing them from sliding back so they can start the next year right where they left off in June and they can continue that upward trend.

Mr. HOYER. Thank you, Mr. Secretary.

Mr. NATCHER. Ms. Pelosi, I yield.

Ms. PELOSI. Thank you, Mr. Chairman. Welcome, Mr. Secretary, and congratulations. Unlike my colleague, Mr. Porter, I do want you to take my comments about the President's program personally. I see a lot in the plan that is very sensible about investing in people and imaginative in how we prepare for the future. I know that you contributed a great deal, laying the intellectual basis for a lot of what is in the program, so I am very pleased that you are where you are also working with Secretary Riley who also commands a great deal of respect on Capitol Hill.

And I am glad you are moving quickly with the plan because the summer job fuse that we talked about, whether it is 6 weeks or as soon as possible, whichever is possible, and then the construction season, if we are going to get the infrastructure jobs on line, we have to move quickly in our neck of the woods if the rain ever stops, or the snow in other places, so I am very pleased about that.

DEFENSE CONVERSION

I did have a couple of questions from the perspective of the State that I represent. As you know, the President was there yesterday in Silicon Valley, and the attitude there is that—we talked about this last week with some of the folks from the Department of Labor, that innovation is viewed there not only as new technology, but how receptive and prepared people are to accept change, and I know we are going to see a great deal from you on this subject I was pleased to see what was in the paper this morning about preparing young people for a different agenda if they are not going to college.

And even if they are, we have to think differently about how we prepare them. My specific questions, Mr. Secretary, the President announced that he will release Department of Defense funds intended for displaced workers through the Department of Labor. Can you give us some idea how the Department expects to allocate these funds, through which program, what would be the criteria for eligibility, and application for access to these funds.

Secretary REICH. Well, the dislocated worker programs in the Department of Labor are programs that are most directly applicable to workers who have been displaced by military cutbacks, Defense conversion. One of my hopes in the future, and I will be proposing this formally, as part of the President's 1994 through 1997 budget package, is that we consolidate all of these various dislocated worker programs we now have, whether it is trade or redwood forest or economic problems of a different sort, and essentially provide any American worker, regardless of the cause of dislocation, with income supplement training and also job search and counseling assistance.

By consolidation we save money, but it also enables us to expand the program to cover all workers regardless of cost. This would include military conversion resources, as well as resources that would be otherwise targeted to workers that perhaps lost their job because of the North American Free Trade Agreement should there be such a provision.

Again, rather than have all of these specialized programs, there should be one-stop shopping.

Ms. PELOSI. And hopefully there will be a request for funding and appropriation.

Secretary REICH. Yes.

Ms. PELOSI. That will match the need because that has been the problem in the past. We know that there is the need and the cause, but there hadn't been an appropriation to match it, and I don't say that as a reflection on this committee, but on the executive branch. But what the President was saying yesterday, there is going to be $500,000,000 specifically and he said a good deal of that would be spent in this State, particularly in California.

I didn't know if there was any precise immediate program to which he was referring.

Secretary REICH. He could have been referring to one of several programs. Ms. Golding, why don't you answer.

Ms. GOLDING. I believe that what the President was talking about is Title XLIV of the Defense Authorization Act for 1993 and the money that he is talking about releasing through the Department of Labor is funds that will be in the context of the Defense Conversion Act. Those monies come to the Department of Labor under a Memorandum of Agreement and are administered the same way and in the same framework as the Economic Dislocation Worker Adjustment Assistance program.

They are held centrally in the Secretary's reserve, governors apply for them, and if the funds are warranted, we know we are going to pay for them, either through DOL JTPA Title III finds or through Defense conversion. If we think it is Defense, we send it to Defense and they confirm in a matter of days that, yes, it is Defense related. Then it would come out of the Defense conversion funds. Otherwise we would pay for it out of the Secretary's reserve in JTPA Title III.

ENVIRONMENTAL REMEDIATION

Ms. PELOSI. Mr. Secretary, the administration has emphasized the policy objectives of cleaning up the environment and providing job training especially for displaced Defense workers and disadvantaged youth, two populations we have been addressing this afternoon. I am currently working to develop a job education and training measure that would create an education program in environmental remediation training giving high priority to disadvantaged and non-college bound youth.

Given the environmental consciousness that we have in California, we can have a marriage of these values, shall we say. The legislation would create demonstration projects in different geographical regions across the Nation to educate and train a diverse work force in the growing industry of environmental technology and remediation.

Would this be a program that might fit within the funding priorities of your department?

Secretary REICH. Yes.

Ms. PELOSI. I would like to send you more on it.

Secretary REICH. I would be very interested in finding out more about it. Environmental remediation programs having to do with technologies which are not necessarily advanced technologies, but work technician jobs, represent a whole range of jobs which you find in other Nations, but which you don't find here. They do not necessarily require a college degree, but provide higher incomes than are available to people who do not have college degrees in this country, and that is exactly the kind of technical job which it seems to me we ought to be emphasizing in the future.

Ms. PELOSI. Thank you, Mr. Secretary. Mr. Chairman, I yield. Thank you.

Mr. NATCHER. Mrs. Lowey, I yield to you.

Mrs. LOWEY. Thank you very much, Mr. Chairman, and I too want to welcome you, Mr. Secretary. What a delight to have you here, and I applaud this administration's commitment to moving this stimulus package through quickly and your commitment to that goal. I was out in my district this weekend, as so many of us have been, and there is an excitement in the air, and even for those who said I didn't vote for him, but give him a chance, I know he can do it, give him a chance, so I hope that we can move this very quickly so we can see some results.

EFFECTIVENESS OF SUMMER YOUTH PROGRAM

Having been in State government for about 14 years before I got to the Congress, I worked with CETA, I worked with the Job Training Partnership Act, and I see many of our staff smiling because we know of some of the pitfalls in those programs, and some of my colleagues referred to the fact that these funds include, I believe it was $267,000,000 of unused funds, and some of this was attributed to the management of the program, some was attributed to the delayed timing last year of the summer youth employment legislation.

Having worked in those programs and having paid many on-site visits to those programs, what have you learned from past errors? What can we do together to ensure that this works, to correct some of the inadequacies of the program that you and I know exist?

I support the fact that combining these jobs with academic training, teaching youngsters to get up in the morning and go to work and be there at 9:00 and knowing that they can learn the discipline of going to work, I think is very important. But we also know that some of these programs were not as successful as you and I would like.

Secretary REICH. This provides me an opportunity to not only answer you, Congresswoman, but also respond to a question that Congressman Porter raised before you all had to go out for the vote, and that had to do with the Inspector General's report on

JTPA, which, again, raised some questions about how the JTPA is measured, how funds are accounted for, but I want to stress that that Inspector General's report did not find substantial problems pertaining to the summer program.

The summer program did receive a very good rating from the Inspector General, and the summer program, from all of the evidence we have with regard to training summer youth, does pay for itself. You asked how can we make sure that the summer youth program is even better. The major thing that we can do is to make sure that those monies are appropriated early so we can work with those cities, with the mayors, with the programs in place, with teachers, and we can ensure that the program is up and going with enough advance warning so that it is a good program.

TRAINING WORKERS

Mrs. Lowey. I hope we can do our part to help move this as quickly as we can. You talk about revolutionizing the work force. I know your approach is predicated on the belief that American business is shifting or will shift toward high skilled, high wage workplaces. I wonder if you have seen or can you cite specific examples in American industry where this is occurring and what does this mean for employer demand in our Nation.

Secretary Reich. There are a number of specific places around the Nation where employees and employers together have given off the kind of zero sum game that they often get into. We win or you win, and actually engage in a kind of joint win strategy. You can look at some of the enormous strides that have been made between the garment workers and Xerox, Jack Scheinkman and the management of Xerox I think have done a commendable job. Look what happened at the Saturn plant between GM and those particular workers. Look at the GM-Toyota free venture in Freemont, California.

Take a look at some of the strides that Chrysler made with regard to the LH, one of the newest Chrysler cars. Look at the Boeing 777, and again I am giving you not only the companies, but specific product lines, because interestingly, some of the great strides that we are seeing in management/labor relations, in win/win situations, is happening with regard to particular product lines, almost as experiments in many of these companies.

The word is spreading, not spreading fast enough, but the word is spreading that through utilizing your front-line workers, investing in them, training them, bringing them into the process of participation and management decision making, and also giving them good, safe, clean working environments, that we actually increase productivity and you generate profits.

Mrs. Lowey. I am smiling because I used to represent North Tarrytown, which is one of the saddest stories. GM really converted to team management at North Tarrytown, and it is a spectacular plant. It is clean and it is new and they do everything that you should do. But unfortunately it is closing. So in the midst of this changing job market, I am hoping that the total economic picture can preserve those jobs. They did such a superb job and I am sure you are aware of what they did up there.

Secretary **Reich**. I am aware and I am concerned. I don't know if you read this weekend, there was at least one article which talked about these new kinds of work organizations but express the fear that if you get too much productivity, you may lose a lot of jobs. Well, over the past 200 years of industrial history, productivity does not necessarily mean job loss. There are always people who fear that. There are dislocations, but if productivity improvements are done correctly, they do not necessarily lead to job loss; they lead to increases in jobs and increases in wages.

STEP PROGRAM

Mrs. **Lowey**. Another question about this step model. The department has referred to the step model as a prototype for the kind of program that summer youth employment funds can be used to support. I wonder if you can describe that program to us and explain why it has been successful and why it is targeted for additional support.

Secretary **Reich**. I could try, but here again I am going to refer to Ms. Golding.

Ms. **Golding**. The Step program is one that started as a demonstration project, but now has spread to about 100 locations in the summer program, and it marries work experience with classroom training and uses the one to reinforce the other, so that there is more of what I would call a contextual learning setting.

There are a minimum of 90 hours in the summer devoted to the academics versus the jobs, and the evaluations tell us that what it does do is to maintain or increase the learning gains during the academic year, so that when the youth returns to school, he hasn't lost anything academically. So what we see is short-term learning retention or even gains between the terms of school.

We are saying it is a prototype because it is one of those templates that should be adapted to local circumstances. It assumes that we will use assessments by the school system of a youth's reading and mathematical skills, for example, and that they will be tested before they come into the summer program. We will use the school assessment, and we will also check what the school tells us when they do their normal assessment the following year, so that there is feedback to the summer program of how the youths are doing.

In most of the locations where it has been very successful, local school certified personnel have also been built into the delivery of the academic enrichment component, and we think many of those elements are what have contributed to the success of the Step model.

That is not to say that that is the last word on innovation, but it is a good starting place. They can take a Step model, take the manuals that tell you how to do it, and get it in place through negotiating something with the school system fairly rapidly.

Secretary **Reich**. And indeed it is the Step model Carolyn, as I understand it, which is very much behind our notion of what can be done with academic enrichment this summer.

Ms. **Golding**. Very much.

Mrs. Lowey. I want to thank you again and we welcome your creativity and your commitment and we look forward to working with you and wish you much success.

Thank you.

Mr. Natcher. Ms. DeLauro, I yield to you.

Ms. DeLauro. Thank you, Mr. Chairman. Welcome, Mr. Secretary, and keep the ideas and the innovations coming. It is great. It is exciting to read the paper every day and look at some of the ways in which we are trying to deal with how we keep businesses in business and people working in this country and training them.

JTPA DISLOCATED WORKER PROGRAM

I am from Connecticut and let me just say to you that the economic stimulus package for the State of Connecticut is critical. Deficit reduction without any kind of economic growth will see Connecticut truly go under. We are in now the fourth year of a recession. We have lost about 200,000 jobs in 4 years. We have faced the recession as well as the build down in the Defense industry and by 1997 it is anticipated that we are going to lose another 30,000 defense related jobs in the State of Connecticut, so that it is vitally important, not only for us to look at what is happening to workers who are out of jobs and dislocated workers, and I have a couple questions in the JTPA program, but for us to be working with the businesses that we have, and a lot of them are small business. In Connecticut we have the Textrons and the Pratts and the Sikorskis and Connecticut is also peppered with very small businesses with the subcontractors, who, if we don't begin to work with in some way to help them, we are going to lose them and we are going to lose the skilled work force.

In Title III of JTPA at the moment, we can catch some of the workers from the Defense industry, and we are working with JTPA and Title III with Pratt and Textron. Their applications are in on these programs, and so that that is useful, but thinking about how we try to deal with it, I say, we catch some of these people who are out and who are losing their jobs, but it is a question for us of how to find the dislocated workers who are not at the Pratt and Whitneys and who are not at the Textrons and so forth, and are there mechanisms—and I understand you mentioned New Jersey, I am sorry I wasn't here for the beginning of your testimony. Is New Jersey the only place, or do States have ways in which they are trying to find these dislocated workers at the moment?

Secretary Reich. Yes. There are several ways we might begin to try to deal with this problem of the dislocated worker, and I wish we had a better term than dislocated worker. It sounds vaguely medicinal, like somebody has gone through some basketball injury and in fact it is a serious problem and it is a very human problem. What I was referring to before was a pilot project. We saw it in New Jersey work very, very successfully, and that is, identifying workers who have entered the unemployment insurance system but who are very, very likely to be permanently dislocated, because they come from an industry that is contracting, and the employer has characteristics which would suggest a very high risk that they will not get that job back again.

All of that information can be computerized and can therefore identify at a very early stage those people that are likely not to get their job back again and those people can be referred as quickly as possible to job counseling, information, job search assistance, and also training.

This small innovation, and we are asking for a relatively small amount of money, $14,300,000, which would be available to States to do this, to pay for the administration and the information systems, and a small bit for us to make sure that the States have the information and to provide them the wherewithal, is actually a money saver, because it means that people are in the system for a decreased amount of time.

There are other things that can be done. Studies show that one of the most effective ways of dealing with long-term unemployed workers is to get to the work site before the factory closes. If States and locals working with the Federal Government can actually get to those workers and provide job counseling information and even begin some job training right there on that work site, the chances are much greater that those people will find another job or at least that the duration of unemployment will be less.

And finally, I think it is necessary to work with employers themselves. Right now we are seeing a great deal of slimming down by large employers, but large employers, as you suggest, Congresswoman, have small subcontractors, and even while the large employers are cutting back and have been for many, many years their subcontractors have been growing.

The subcontractors need help from the large companies in training employees, in developing new jobs, jobs that will provide jobs to people whose skills are becoming obsolete. There is a great deal of work to be done between large employers and small subcontractors, and also predicting where jobs may be lost. Aiding communities in that process of predicting.

I could go on, but let me stop with that point.

SERVICES TO THE UNEMPLOYED

Ms. DeLauro. In terms of the back-up service that you talked about, one of the things that I do about every 2 or 3 weeks, I go to the unemployment line in my district and I just go, myself and a staff person and I just talk to people just to see, are the extension of the benefits making a difference, you know, what their lives are like.

We also ask the health care questions, that is always the adjunct to being out of work, but in any case, I find a lot of unemployed people on the line Monday morning who got laid off the prior Friday. Companies are closing down pretty quickly these days and just saying to people you are out, you are out there on your own. You mentioned the $23,000,000 in trying to bring this tracking innovation on line.

We would also look at job training, some assistance or so forth. What is your thought about how we are going to do that? In the current stimulus package, is there a way in which that $23,000,000 that you talked about includes that kind of, if you will, support for these folks that we are going to find? Or are we going to find them and then hope to have some support and then we are not going to have the additional funds to try to figure out how we give them that resume service, that technical assistance for them to be able to look quickly for something else?

Secretary Reich. In many States, in many locales, there are already resources out there. Not as many as resources as there should be, as I would like or perhaps you would like, but there are resources, there are training programs. The Department of Labor provides even now, even before we have cranked up to the point where I think we really have a comprehensive program, funds to locales for people who are going to be displaced. But many people simply don't know the availability of these services, and the innovation that we are suggesting, and that is right there in our appropriation request, is a very small step toward integrating unemployment insurance with job search and training, a very, very small step. It is at least a small step in the right direction.

Ms. DeLauro. People don't know about it. I mean, as you know, they just don't. They don't know where to go, where to turn, and they go on the line and they wait 2 hours, sometimes 3 hours, just standing out there for everybody else to see, hey, you know, I lost my job, here I am. It is really an experience which I think people ought to have—to go down and watch these folks. These folks want to work and they are just trying to figure out what the heck to do now that they have got this pink slip.

So if there is a way of coordinating that and getting the information out to people about what to do, believe me, it is critical.

Secretary Reich. That is going to be a high priority, not just coordinating that, but providing one-stop shopping so that people know the one place they go to get the unemployment, to get the job search, to get the training assistance, and that all of these programs at the Federal level and ideally State programs and local programs as well are consolidated into comprehensive retraining and job help programs.

Ms. DeLauro. I have one more question, Mr. Secretary, and that has to do with something that I have been trying to look at and that how we help people who are on the job, the existing work force. In the DOD authorization and the diversification package, Title III was amended to include the kind of provision to upgrade workers' skills who are on the job. I would like to get your sense of making that kind of change, not only for Defense workers, but for other workers. Are you looking into how we might try to upgrade the skill of workers who are in existing jobs, and doing so without having it become really a program that becomes more employer benefited rather than worker benefited?

Secretary Reich. As I am sure you are aware, we are rapidly creating a two-tiered work force in which you have a professional and managerial elite whose incomes have been increasing over the past 12 years, and then everyone else, people who are doing routine work, less and less secure in terms of their jobs, with fewer and fewer benefits and lower and lower wages.

The question you raise is a broad one: how do we create the workplace of the future in which management is utilizing those front-line workers. We talked about it a moment ago. But there is a further question, and it is a question that I and the President have asked ourselves and the business community: what kind of carrots and sticks can be used to prod the private sector into doing a better job with regard to the non-college educated worker.

Right now the private sector is spending approximately $30,000,000,000 a year training their employees, which is great, but two-thirds of that goes to college-educated employees who only comprise about 20 percent of the work force. Only $10,000,000,000 goes to the 75 or 80 percent of the work force that really is not college educated and very much needs that training on the job and also training literacy.

There is a tremendous task ahead. The administration has not reached a conclusion about what combination of carrots and sticks is best, but hopefully the business community will rise to the challenge.

Ms. DeLauro. Thank you very, very much, Mr. Secretary. Look forward to working with you, thank you, Mr. Chairman.

Mr. Natcher. Mr. Secretary, we want to thank you for your appearance before our subcommittee. It has been an excellent hearing. We want to thank you and your associates. Certainly every consideration will be given to your request.

Mr. Porter, as I understand, you have an additional question.

Mr. Porter. I have several, if I may, Mr. Chairman.

Mr. Natcher. Go right ahead.

INSPECTOR GENERAL'S FINDINGS ON JTPA

Mr. Porter. Mr. Secretary, you and I talked about the IG's audit of the JTPA programs, and the fact that it found fraud and possible outright stealing, the most serious problem facing your department, and you have that audit in draft form you tell us on your desk right now.

We are being asked to provide an additional $1,000,000,000 to the summer youth program, part of the JTPA, and I have asked you if you will share that audit with us before we mark up this bill. I don't know that I got a direct answer to that. Is it possible that you can share that with us?

Secretary Reich. Let me give you as direct answer as I possibly can. That report is in draft. I will try to get it to the committee as soon as possible.

All of the input that I have been getting from staff, from the Inspector General, from other reports, considers the summer job program to be a very good, very positive program. That report concerns other aspects of JTPA, the ongoing training aspects with regard to disadvantaged people overall. The summer jobs portion that we are now discussing before this committee has actually gotten very, very high ratings with regard to every group that I have seen. I have asked an awful lot of questions over the last 3 weeks and particularly when I knew that we were going to seek additional funding for the summer program. One of the first questions I asked was, is this the same program as the program that the Inspector General is asking questions about. It is not the same program, and indeed the summer program has received a very positive review.

Mr. PORTER. Are you saying that in this audit there is nothing about the summer youth program at all?

Secretary REICH. In this audit, the summary that I received had nothing about the summer program. Let me double-check. Ms. Golding, do you want to substantiate or contradict or fill in?

Ms. GOLDING. I believe what you are citing is the Inspector General's testimony on February 18th that JTPA was the number one issue for the Department. When he said that, he was talking about the JTPA system as a whole. He has done an audit of last summer's program and that is positive report that the Secretary has been referring to.

Secretary REICH. That was a positive report.

Mr. PORTER. Will you then share that with us so we can see it before we mark up this bill? We are going to mark up the bill presumably tomorrow and it will be very, very helpful for us to see what kind of evaluation the IG has placed upon the summer youth program.

Secretary REICH. I would be delighted to do that, and I would love it do it right away if we can.

Mr. PORTER. Can we do it this afternoon?

Secretary REICH. In a few minutes, maybe.

Ms. GOLDING. It is really the IG's call, not ours. We have to ask.

Secretary REICH. I am learning my way around the bureaucracy. The Inspector General does have a degree of authority in this.

Mr. PORTER. But you have the report yourself?

Secretary REICH. We have a draft. I will have to ask the Inspector General whether I am at liberty to share that. But again, what I am at liberty to say, and I do want to assure you that the broad report about JTPA and the report done about the summer program are very different issues.

The summer program did receive a very positive response, and I will do my best to get that to you as soon as possible.

SUMMER CARRYOVER LIMITATION

Mr. PORTER. Looking at the funds that are to be expended under your section of the package, you indicated that the money would be expended for the 1993 program. I wonder if you would accept a limitation on that so that all funds would be expended by, say, November 30th, 1993, or they would go for deficit reduction instead of being obligated after that point in time?

Secretary REICH. This deals with this issue of outlays. Some of the outlays will have to be in 1994 in order to pay the contractors for the summer of 1993, as I understand it. That is, almost all of the money will be expended for the summer of 1993 but some of the actual checks leaving the government may have to leave in fiscal year 1994.

Mr. PORTER. I am saying how about giving it two months into fiscal 1994 or else it shouldn't outlay, it should go back for deficit reduction?

Secretary REICH. Let us get back to you about that. I fear it may conflict with the authorizing legislation. I understand the purpose of your question, but, again, I can at least assure you in the authorizing legislation and also with regard to our intent here, it is to utilize as much of the funding as possible, whether they are outlays or they are directed expenditures, for the summer of 1993, but we will have to get back to you with that.

[CLERK'S NOTE.—The information discussed was not available for printing and will be supplied to the committee at a later date.]

Mr. PORTER. Mr. Chairman, I feel very frankly that I would like to spend more time on this and we are sort of rushing this, an hour's hearing on a $16,000,000,000 spending package, or $8,800,000,000 before this subcommittee. It seems to me is very, very short time. And I am very interested in this audit, for one thing, and I am interested in some kind of a limitation on the outlays. And, Mr. Chairman, I would like to ask that we have an additional day's hearing under the rules so that we can further consider these questions and get them thoroughly looked into. And I would request that we do that at a mutually-convenient time so that we can get some of these answers.

USE OF JTPA DISCRETIONARY FUNDS

Could I also ask a question that the ranking Republican, Mr. McDade, on the full committee has asked me to ask you. Your request contains $10,000,000 for pilots and demonstration projects on enriched learning and work experience. Have you fully complied with or do you intend to comply with the directives on pilot projects in the House and Senate reports accompanying the 1993 Labor Appropriations Bill?

I will read you the language that he is referring to: In addition to currently ongoing activities, the Secretary is expected to initiate in fiscal year 1993, through a competitive grant process, a demonstration project that would establish a one-stop entry point to present options and services to individuals seeking assistance, including assessment of skilled levels and service needs, information and occupations and earnings, career counseling and planning, employability development, information on federally-funded vocational training programs and referrals to agencies and programs providing a wide range of services. In selecting a site for the project, the Secretary should consider the areas where the incidence of an adult and youth unemployment is high.

That may be the same thing that Ms. DeLauro is referring to.

Secretary REICH. Now, you are asking about the $10,000,000 for pilots and demonstrations. The Department believes it is in full compliance, Congressman, with language of the Appropriations Committee Report No. 102–708 with regard to the committee's direction that additional funds be expended to fund additional local skill centers.

I want to assure you the Department in December 1992 awarded approximately $1,900,000 to 10 grantees to conduct a 15-month pilot to test approaches to local one-stop skills center concepts. President Clinton's economic stimulus program includes additional funding, $150,000,000 in 1994, and $250,000,000 for fiscal year 1995, and beyond that, for a new initiative to develop a kind of one-stop career centers with the objective to streamline access to job and training information by workers.

Again, I am sure that we are in compliance with the language of that Appropriations Committee report, but if you desire additional information, we would be happy to supply that.

EFFECTIVENESS OF STIMULUS PROPOSAL

Mr. PORTER. Finally, Mr. Secretary, let me suggest something that we discussed in the first hearing before your Department—when your Department was before us on February 18th, and that is the fact that it looks as if this change in the type of recovery that we are experiencing, where it isn't creating as many jobs as a normal recovery would be creating, may have to do with the way business is being done today, which I think is a see change from what it used to be, where inventories are pared down to the bone and where work forces are also pared down to the bone, and where job creation is not a high priority, but efficiency is the highest possible priority in creating a competitive business enterprise for the future. I wonder whether all the stimulus in the world that we might do through the government is really going to change that or whether we are going to be actually looking at something that will not respond to the kinds of traditional approaches that perhaps have served us in the past?

I raise that as a question.

Secretary REICH. It is a good question, Congressman. All I can say is that, given the pattern of joblessness we have had, given the gap we have that we talked about before of 3,000,000 jobs which have simply not appeared during this so-called recovery, that we have got to try something. I think that simply sitting back and assuming that we have to be resigned to a jobless recovery or that we have to be resigned to an economy that does not create jobs in which 9,000,000 or 10,000,000 people are going to be permanently unemployed and 4,000,000 or 5,000,000 others too discouraged to look for work, and another 3,000,000 who are going to be underemployed or working part-time, when they would rather be working full time, that is just not enough.

I don't know and I can't guarantee that this stimulus package is going to bring back jobs, but I can say that the Clinton administration is absolutely committed to doing whatever is necessary to bring back jobs.

Mr. PORTER. I think the stimulus package is obviously going to pass, and we are going to be able to see whether it really is going to do that and whether we are faced with a new kind of economy in the future that has growth with a high degree of unemployment, that obviously nobody wants to have.

I think we all agree that the best thing for every human being, as well as for our economy, is that everyone be employed full-time and providing their talents and skills to the effort, but it seems to me, it is a serious part of looking at how business is organized today, and it isn't very encouraging for jobs.

Secretary REICH. I can assure you that above and beyond a stimulus package and above and beyond the initiatives that we are proposing today, the Department of Labor, my colleagues, and other Departments, the President, will be taking a very long, hard look at the question you raised, how business is organized, to ensure that all Americans share in the economic gains that we hope to come in the future.

Mr. PORTER. Thank you, Mr. Secretary, very much. I appreciate your testimony.

Mr. NATCHER. Thank you, Mr. Secretary.

We want to thank all of you for your appearance before the committee at this time. We will see you tomorrow afternoon at 3:30.

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF LABOR

WITNESS

HON. ROBERT B. REICH, SECRETARY

Mr. NATCHER. Mr. Secretary, it is a pleasure to have you back before the committee. And we appreciate your courtesy and your kindness working with us on this supplemental now.

Mr. Porter, I yield to you.

Mr. PORTER. Thank you, Mr. Chairman.

Mr. Secretary, thank you for agreeing to come back. I know you have a very busy schedule, and we appreciate your coming back to follow up on the questions that we began yesterday.

JOB CREATION

First a comment: It seems to me that if you look at the principal job creation and look at the money that is going to your Department, that we really aren't creating any jobs with most of the money.

Unemployment compensation is $4,000,000,000, needed money, but it doesn't create jobs.

Summer Youth employment will create no permanent jobs. Worker profiling doesn't create jobs either, although it may help to do so in the long term. So this isn't immediate stimulus as much as it is long-term policy.

My question falls back to the point, should we be doing this with deficit spending; or should we pay for it?

Secretary REICH. Did you want me to respond?

The stimulus aspect of the package that we are presenting, particularly with regard to extended unemployment insurance, summer jobs, et cetera, is stimulative in the sense that it gets money out to people who need it and they are able to pay their bills and go to the market. In the classic macroeconomic sense of stimulus, you stimulate the economy and you are also giving money to people in need.

There is a third achievement; that is, you are giving it to people with summer jobs, you are making a down payment on, ideally, a career of productivity.

Mr. PORTER. I am not questioning the merits of any of the programs. I am questioning whether we should do it with deficit financing.

Secretary REICH. Please understand my response. With regard to macroeconomics, you are getting money into the economy so that you are engendering market activity, enabling people to have the purchasing power that many don't have because they are unemployed or don't have jobs waiting.

SUMMER YOUTH SPENDING LIMITATION

Mr. PORTER. I understand. I think it is just a little bit on top of a lot. And Mr. Obey already discussed that. We have a difference of opinion as to whether it is going to do the job. I hope you are right. Summer Youth employment—we had asked about a limitation. You were sitting here when I asked Secretary Shalala about it.

Yesterday you testified you had a $265,000,000 carryover in the Summer Youth employment program. That is three times the historical level. Now we are proposing to add another billion dollars to it.

Isn't it reasonable, given the two goals that we are trying to work on, to put some kind of limitation on how long this money is hanging around?

Secretary REICH. That $265,000,000 carryover is to pay out some contracts.

The vast majority of that is to pay out contracts for economic activity that took place during last summer and this coming summer. In other words, that is stimulative with regard to the calendar years 1992 and 1993 programs.

Mr. PORTER. I am worried about having $500,000,000 sitting there until 1994, in the summer, when we don't need the stimulus, when we need to be working on the second principle of deficit reduction. Isn't it reasonable to put some kind of limit and say, if you don't get the money out, it has to lapse?

Secretary REICH. Let me say two things, in addition to the points I made, that most is for contractors. This is a matter of program design, a matter of legislation.

Obviously, this committee does not want to legislate with regard to appropriation. I think it is a legitimate question to ask Congress with regard to what kind of limits, if any, Congress wishes to place on certain programs with regard to carryovers.

I am just saying that, from the standpoint of programmatic design as opposed to stimulus, it is very important that there be at least some carryover so that the following summer program can have some basis on which to anticipate and plan and develop the summer programs. That has been the historical pattern.

We are only talking about 9 or 10 percent of a program which is the historic carryover. But that is a legislative decision. I have worked with the authorizing committee with regard to designing this year's summer program, and I am convinced that we are going to spend all or certainly most of that money, and that the stimulative effect would be quite immediate.

Mr. PORTER. I personally believe we ought to put a limitation on it and ensure that it is spent for the purpose it is intended so we don't have spending carried over into the later period when we should be reducing the deficit.

I want to follow up with a question I asked for Mr. McDade yesterday, and then I have a question on the audit.

PILOTS AND DEMONSTRATIONS

Yesterday I asked you about a directive in a report accompanying a House bill regarding pilots and demonstrations. If I understand your answer, you said the Department awarded 10 grants for a total of $1,900,000 to comply with that directive?

Secretary REICH. Yes. The committee had a direction with regard to Appropriations Committee Report 102–708 that additional funds should be expended to fund additional local skill centers.

The Department, in December 1992, therefore, awarded approximately $1,900,000 to 10 grantees to conduct a 15-month pilot to test approaches to local one-stop shopping; that is right.

Mr. PORTER. My staff tells me that the funding to carry out the directive is not available for obligation until July 1st.

If that is so, how can you have already awarded the grants to carry out the directive?

Ms. GOLDING. I believe it is because the funds utilized for grants were appropriated for fiscal year 1992.

OIG AUDIT

Mr. PORTER. Mr. Secretary, yesterday I asked you extensively about the IG audit of the Summer Youth program; and I understand now that you have brought copies of that with you?

Secretary REICH. Yes. In fact I want it entered into the record. I will give a copy to the Chairman.

I want to express appreciation to the IG at the Department of Labor. It was a draft report which had not been completely reviewed until that time; and it is now available.

[The information follows:]

News United States
Department
of Labor

Office of Information Washington, D.C. 20210

USDL: 93-71
FOR RELEASE: IMMEDIATE
Wed., Feb. 24, 1993

CONTACT: Mary Meagher
OFFICE: 202/219-8211
HOME: 202/546-0618

REICH DELIVERS REPORT ON SUMMER JOBS
TESTIFIES BEFORE HOUSE APPROPRIATIONS

Secretary of Labor Robert B. Reich, appearing this afternoon before the House Appropriations Committee, presented Chairman William Natcher and members of the committee with a new report from the department's Office of the Inspector General (IG) on the 1992 Summer Youth Employment and Training Program under the Job Training Partnership Act.

Reich applauded the timely delivery of the IG report, which reviews last year's Summer Jobs Program and finds that the work experience provided to young people in this program had been successful.

"This report assures me that the Department of Labor will be able to craft a new program for 1993 which will serve a larger number of young people more effectively and efficiently," Reich told the House panel. "I am confident that we can build on past successes in making 1993 a summer for youth opportunity."

The IG report finds that management of the summer work program was a success due in part because "the participants were orderly, busy, and involved in productive work...interested in the work being performed, and closely supervised."

"There is no better way to give young people the discipline to succeed than to head in the direction of productive work," said Reich. "It is our goal to provide productive summers rather than idle summers for our nation's youth."

Reich also stressed to the committee the importance of incorporating academic enrichment in the 1993 Summer Jobs Program to ensure that these youth do not lose the academic gains made during the previous school year.

"I am pleased that the report gives us guidance for how to craft an effective academic enrichment program," said Reich. "While the IG's report found only a limited success in this area last year, it has identified many ways to improve which we plan to incorporates into the design of this year's program."

-more-

Copies of the report, just presented to the Secretary of Labor in final form, are also being delivered by Reich to Congressman William Ford, Chairman of the House Committee on Education and Labor and to Secretary of Education Richard Riley.

# # #

U. S. DEPARTMENT OF LABOR
OFFICE OF INSPECTOR GENERAL

AUDIT OF THE 1992 JTPA SUMMER YOUTH EMPLOYMENT AND TRAINING PROGRAM

REPORT NO. 05-93-001-03-340
ISSUED:

FEB 24 1993

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

Reply to the Attention of:

FEB 24 1993

MEMORANDUM FOR: CAROLYN M. GOLDING
Acting Assistant Secretary
for Employment and Training

Jeanine Di Stagno

FROM: for GERALD W. PETERSON
Assistant Inspector General
for Audit

SUBJECT: Audit of the 1992 JTPA Summer
Youth Employment and Training Program,
Audit Report No. 05-93-001-03-340

Attached is the final report of our review of 21 JTPA service delivery areas for the Calendar Year 1992 Summer Youth Employment and Training Program.

Our audit consisted of reviews of both the summer youth work experience and remedial training programs. We also conducted a limited review of internal controls, primarily participant payroll system controls, and collected information on managers' reactions to the emergency supplemental funding received in late June 1992.

We found that the work experience program is successful; however, the remedial training program needs strengthening. Additionally, we found weaknesses in internal controls over participant payroll systems. Finally, SDA managers told us that they needed earlier notice and more planning time to properly expend the emergency supplemental funding.

ETA's response to the draft report, dated February 24, 1993, has been included in Appendix C of the report. Based on ETA's agreement with our recommendations, we consider the report resolved.

Attachment

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EXECUTIVE SUMMARY

The U.S. Department of Labor, Office of Inspector General (OIG), has completed an audit of the Calendar Year 1992 Summer Youth Employment and Training Program (SYETP).

The Calendar Year 1992 SYETP provided approximately $1.2 billion in funding consisting of regular funding of $683 million and supplemental emergency funding of $500 million. The OIG reviewed 21 JTPA service delivery areas (SDAs), visited over 840 worksites, and interviewed key staff and over 1,200 participants to determine whether the work experience and remediation programs were successful, if internal controls were in place, and what impact the supplemental emergency funds had on the program.

The Work Experience Program was a success.

With few exceptions, the SDAs managed successful work experience programs. We believe that the success was due, in large part, because the participants were:

- orderly, busy and involved in productive work when we visited the worksites;
- interested in the work being performed; and
- closely supervised.

We also found that participants learned new skills that they could apply to their school work or future employment.

The Remediation Program was a limited success.

We concluded that the remediation program was a limited success because:

- although participants were tested at all the SDAs, coordination with the local schools did not always occur;
- at six SDAs, participants were not assessed to determine if they needed remedial training, as required in Section 253(b) of the Act;
- while some form of remedial training (reading and mathematics) was provided at all the SDAs, the term "remediation" did not mean the same thing everywhere; and
- most of the 21 SDAs did not serve those most in need, but rather used such practices as giving the

participant the option to attend remediation or providing remediation to participants only in certain locations or age groups, regardless of need.

However, when remediation was provided, test scores showed that most participants maintained their grade level or posted learning gains in reading and mathematics.

Our report details why the remediation program was a limited success and also suggests ways to make remedial training more effective.

We recommend that the Assistant Secretary for Employment and Training:

1. Clarify the statutory definition of "basic and remedial education." (For example: Does the statute mean only reading and mathematics classes?)

2. Require the SDAs to establish better linkages with the local schools to provide the SDAs with recent test scores.

3. Enforce the requirement that participants be assessed by requiring SDAs to coordinate with the local schools to perform the assessments and refer students in need of remedial training in reading and mathematics.

4. Require that participants with major deficiencies be placed in a remedial education program. In order to accomplish this, it may be necessary to:

    - Identify at risk youth when they enter high school and work with them throughout their high school tenure, providing year-round support to enhance the probability of graduating from high school.

    - Provide remediation in the neighborhoods of those most in need.

    - Publicize the remediation program to attract participants who need the training and highlight the following benefits:

        - a stipend equal to work experience wages;

        - a one-time cash payment for successful completion; and

        - the need for remedial skills in the world of work.

  - Coordinate remediation with the local school system.
  - Offer innovative programs.
  - Combine remediation with work experience.

5. Establish a multi-agency task force to include, but not limited to, representatives from the social science, behavioral management, education and job training disciplines at the Departments of Health and Human Services, Education, and Labor to work with the SDAs and local schools in developing and implementing a holistic approach for youth training.

Internal controls over participant payrolls could be improved.

While most SDAs established and maintained a system of internal controls over the SYETP, they need to strengthen the controls over participant payroll systems.

Our review identified inadequate controls over time and attendance. Some of the examples are:

- Participants had not signed in when they arrived.
- Participants signed time sheets in advance (for future days).
- Participants signed both in and out simultaneously.

We recommend that the Assistant Secretary for Employment and Training remind the SDAs to strengthen internal controls to ensure the reliability of the participant payroll systems.

Supplemental funding was provided without sufficient time to plan.

Supplemental funds of $500 million were authorized in late June 1992, after the summer program was already under way. The primary purpose of the funds was to expand the number of job opportunities for eligible youth, and directives issued with the funding did not place any additional requirements on the use of the funds. As such, the additional funds were used for participant wages and stipends, supervision, participant support and new supplies and equipment.

Of the 21 SDAs reviewed, only one spent all the supplemental funds. Most SDAs transferred the unspent funds to the JTPA Title II-A program or reserved the funds for the 1993 summer program. Most of the SDA directors said they did not receive sufficient notice to properly plan expenditure of the supplemental funds.

In other words, they needed more lead time than was provided to procure service providers, hire and train staff, and recruit participants. It was difficult to recruit participants late in the summer because schools were the primary recruitment sites.

We recommend that the Assistant Secretary for Employment and Training move as soon as possible to notify the JTPA system of any future supplemental funding.

The Employment and Training Administration agreed with OIG's recommendations. A copy of the response is in Appendix C.

Mr. **Porter**. We appreciate your doing this. Thank you very much for doing it. Could you summarize it for us?

Secretary **Reich**. That is a report of an audit of the 1992 Summer Youth Employment and Training program. I will enter into the record the letter that summarizes the report.

[The information follows:]

U.S. Department of Labor

Inspector General
Washington, D.C. 20210

FEB 18 1993

INFORMATION

MEMORANDUM FOR THE SECRETARY

FROM: For Julian W. De La Rosa
Inspector General

SUBJECT: Audit of the 1992 JTPA Summer Youth Employment and Training Program

PRIORITY: Highest

The Office of Inspector General issued a draft* audit report to the Employment and Training Administration on February 18, 1993. The audit report contains information of importance considering the recently announced significant increase in funding for the summer program.

WHAT WAS REVIEWED? OIG reviewed the work experience and remedial training programs. In addition, we asked local program managers to comment on problems experienced in receiving supplemental funding in the middle of the summer. Overall, we reviewed 21 JTPA service delivery areas nationwide, made unannounced visits to over 840 worksites, and interviewed key program staff and over 1,200 participants.

WHAT WERE THE AUDIT FINDINGS?

- The **work experience program** was successful. Participants were productive, interested, and closely supervised.
- The **remedial training program** was a limited success. Remedial training has never been adequately defined. Linkages with local schools did not work. Participants' reading and math skill tests were not assessed. Participants needing remediation did not get training.
- Program managers unanimously asked for more planning time if **supplemental funds** are appropriated.

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* Information contained in draft audit reports is not available to the public.

WHAT ARE WE RECOMMENDING?

- Define remedial training.
- Establish better linkages with local schools.
- Enforce the statutory assessment requirement.
- Require that participants with major deficiencies in reading and math receive remedial training.
- Notify the JTPA system as soon as possible of any significant increases in funding.

ADDITIONAL ISSUE AS A RESULT OF THE INCREASE IN FUNDING: To maximize the effective use of funds, increased Federal oversight is vital. Oversight should include both ETA program agency monitoring reviews and OIG audits.

We are available to meet with you at your convenience. Please contact Gerald W. Peterson, Assistant Inspector General for Audit, 219-8404.

Secretary REICH. The Office of the Inspector General reviewed the work experience and the remedial training programs and asked program managers to comment on problems experienced in receiving supplemental funding in the middle of the summer.

The funding was not available until late June. The findings were: one, the work experience program was successful, says the IG. Participants were productive, interested, and closely supervised. The remedial training program was a limited success in that the remedial training was not adequately defined. Linkages with local schools did not work. And those participating in reading and math skill tests were not assessed. Participants needed remediation and were not getting training.

What we did when we designed this particular summer program is to take these criticisms into account so that the design of the new program actually has within it specific criteria that meet the recommendations that are in this report with regard to defining remedial training, establishing better linkages with local schools, and enforcing the statutory assessment requirements. That is in the program design.

When I reviewed the draft reports and particularly today when I got the final report, I was reassured that the work experience program was successful and that was the main point that you had asked about yesterday.

Mr. PORTER. I would hope that we would have another audit by the IG of the program this summer to see that we have successfully incorporated the criticisms that have been made of past programs; and I appreciate your bringing this to the subcommittee's attention.

Thank you, Mr. Chairman.

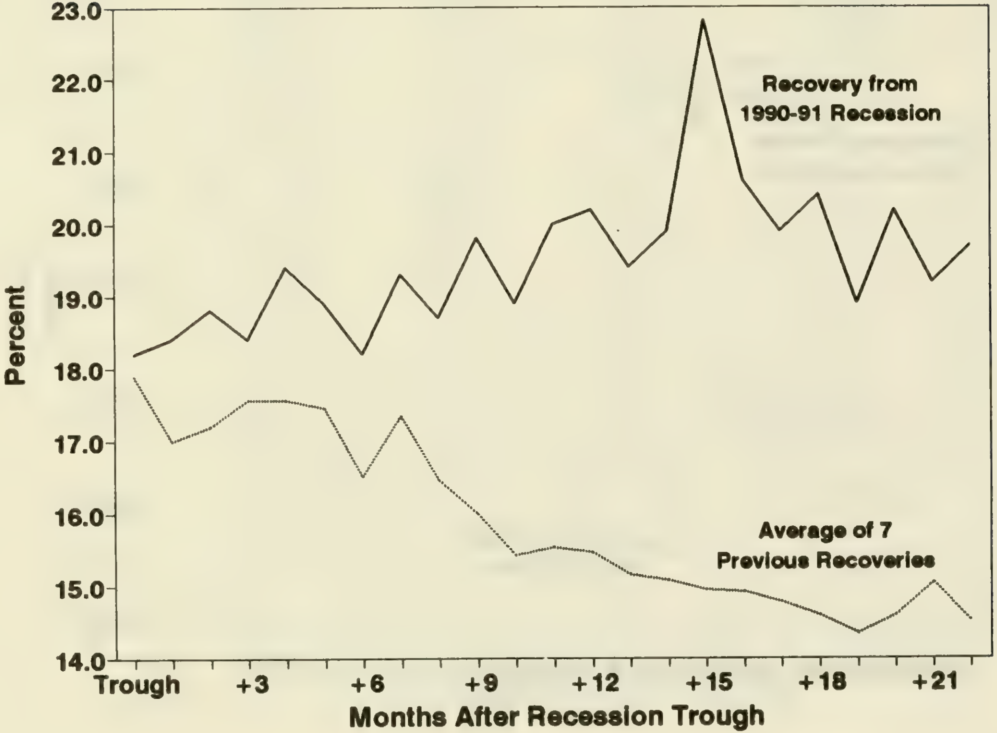
Mr. NATCHER. Mr. Obey.

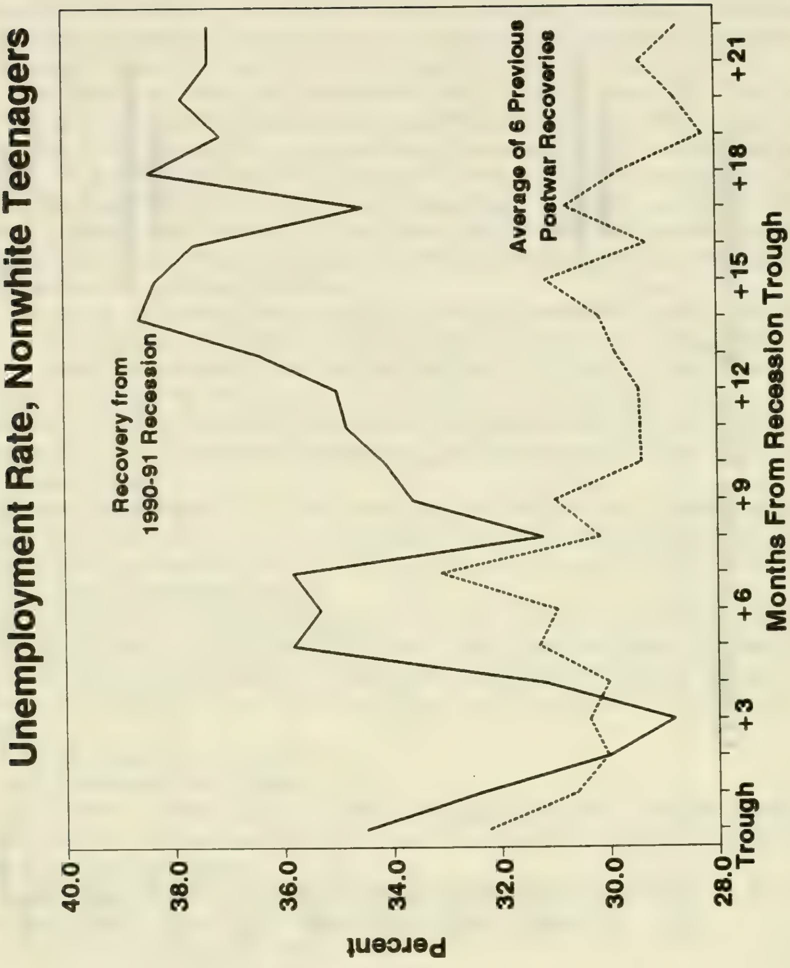
Mr. OBEY. Given some of the questions that Mr. Porter asked, I want to ask these questions so that the record shows a proper balance in interpretation.

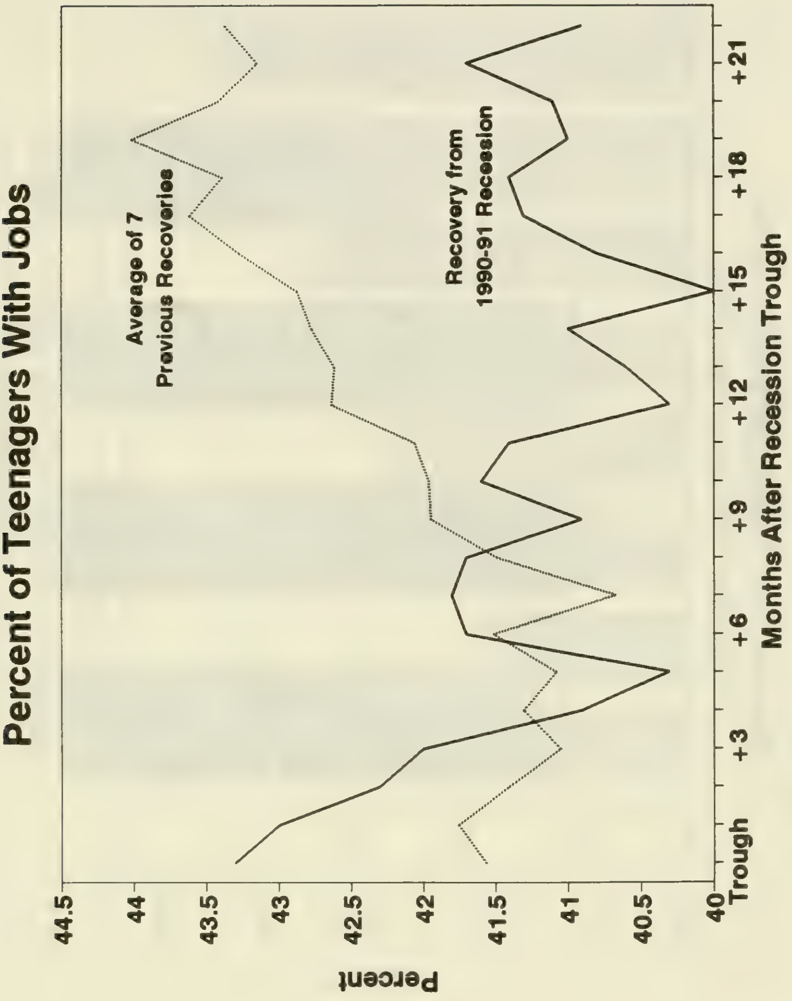
I have some charts I would like to submit for inclusion in the record which I think will illustrate what I mean.

[The information follows:]

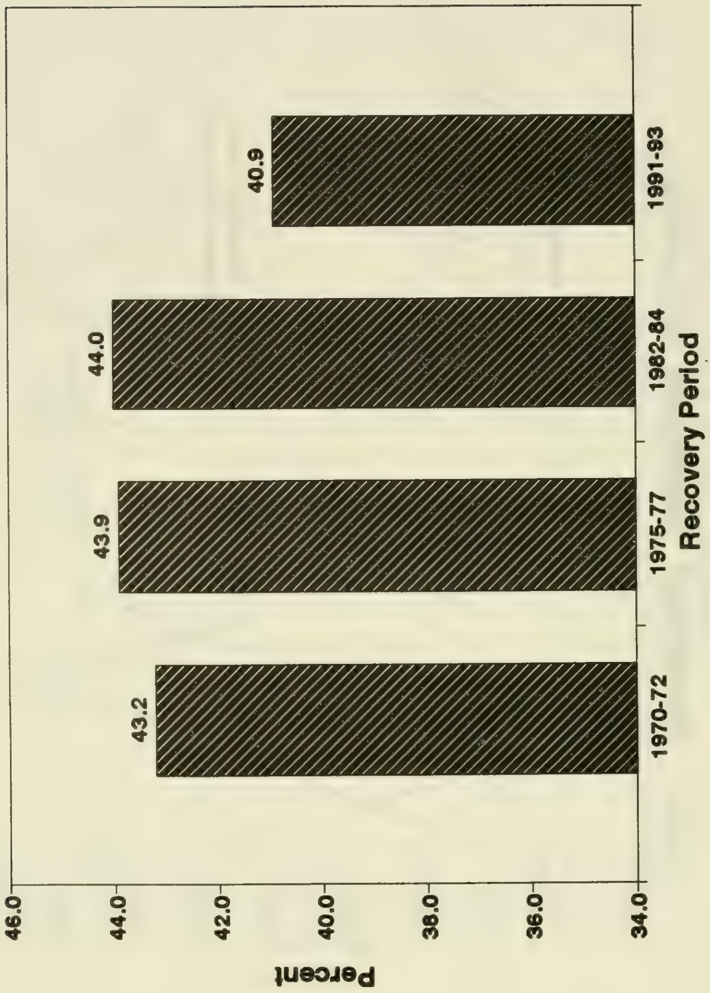
Unemployment Rate, All Teenagers




Unemployment Rate, Nonwhite Teenagers
Recovery from
1990-91 Recession
Average of 6 Previous
Postwar Recoveries
Percent
40.0
38.0
36.0
34.0
32.0
30.0
28.0
Trough
+3
+6
+9
+12
+15
+18
+21
Months From Recession Trough



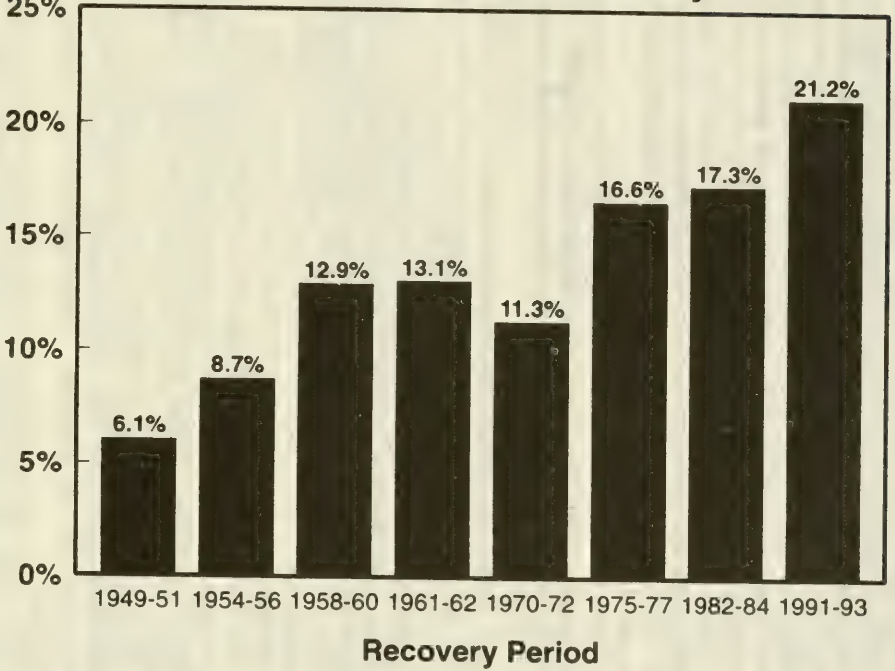
Percent of Teenagers With Jobs



Percent of Teenagers With Jobs
22 Months After Recession Trough

Long-Term Unemployed*

As Percent of Total Unemployed
After 22 Months of Recovery



* Persons unemployed 27 weeks or longer.

Mr. Obey. Mr. Reich, with respect to the Summer Job programs, I have a chart here which I think demonstrates why you are doing what you are doing, because if you take a look at unemployment rates for all teenagers, you will see that, in comparison to the last seven recoveries, we are at least 20 percent higher in terms of unemployment rates for all teenagers than we were in the last seven recoveries.

If you take a look at the unemployment rate for non-white teenagers, you will see that we are about one-third higher in terms of the unemployment rate now for those teenagers than we were for the previous seven recoveries.

If you take a look at the unemployment level, generally, in society, you see that the long-term unemployed this far out into a so-called recovery, much higher in this recovery than it has been in any other time period.

So I think the record needs to show that.

CARRYOVER

Let me ask a couple of questions with respect to carryover. Isn't it true that Section 161(b)(1) of the JPTA statutes authorizes that funds obligated for any program here may be expended by each recipient during that program year and two succeeding program years?

Secretary Reich. Yes.

Mr. Obey. And isn't it also true that under 256 of the 1992 amendments that the service delivery area may transfer up to 10 percent of those funds provided into the year round youth program?

Secretary Reich. Yes. That is in the legislation. That is in the program design that was authorized by Congress. Those carryovers are a part of the program. That flexibility is, indeed, part of the program.

Mr. Obey. As a matter of practice, isn't it true that over the years, the program carries over at least 10 percent of the funds under the regular appropriation bill, not even including the supplemental appropriation? So it would not be unusual to see the $267,000,000 out of roughly $1,200,000,000 was carried over from last year and given the additional explanation that you have?

Secretary Reich. Indeed. The word I get from the people who run the programs is that some carryover is absolutely necessary and that is built into the program design and into the legislation because they need some basis upon which to gear up for the following summer.

Mr. Obey. And also, doesn't it also include the need for advanced planning for——

Secretary Reich. Precisely. That is what is really the purpose of the carryover, 9 or 10 percent on average is for the advanced planning. Without that carryover, it is very difficult for communities to even begin to do the planning for subsequent summers.

Mr. Obey. Also with respect to the $500,000,000 in the summer youth program supplement of 1992, that money was not released until June 24th; is that correct?

Secretary Reich. And that was the critical problem according to most of the reports I have received. Because it was released so late, it was very difficult to wrap up. Now, it is quite amazing that even though it was released that late we get a report from the Inspector General that says it was a successful program and that we have participants productive, interested, and closely supervised.

The point I was making yesterday is that given the necessity of this program now, given the amount of time we have to do it, if we can create a program it seems to me that is much more successful even than a relatively successful program last summer.

SPENDING BY CITIES

Mr. Obey. Even with that late enactment, isn't it true that a number of large cities were actually able to spend 85 percent of their supplemental funds.

Secretary Reich. Yes. In fact, there were a number of cities, Congressman, that were able to spend 100 percent, including Minneapolis, Memphis, and Santa Ana, and St. Paul spent 96 percent. In fact, we had many cities that really, even though we had such a late date, were able to utilize those funds fully.

Mr. Obey. Mr. Porter is talking about the possibilities of putting a limitation or a cutoff, the time after which if the funds hadn't been used you simply couldn't use them. Wouldn't that require us to either carry authorization language in this bill or else require you to go back to the Education and Labor Committee and have them redo the authorization?

Secretary Reich. Again, I don't want to seem presumptuous about how these things are done here, but it seems to me that would be a major change in a basic aspect of the program design, which normally would be a matter for the authorizing committee.

I.G. REPORT

Mr. Obey. On the I.G. report that you have just given to us, is it true that that report states that the 1992 amendments are a new beginning to that program and that they will result in a more fiscally responsible and effective job creating program?

Secretary Reich. Yes. The 1992 amendments—now, this again responds to a slightly different part of the JTPA program. The question that Congressman Porter and I were talking about yesterday, was not about the summer part of the JTPA, but the other aspects of JTPA. The Inspector General has expressed a view that those new fiscal and financial controls in the new amendments will promote a new beginning. He used that language with regard to the JTPA program.

Mr. Obey. And isn't it true that the summer youth program is being changed over the past few years so that you include an academic component so that it isn't just to make work for a program for kids in all instances.

Secretary Reich. Not only an academic program, but what we are proposing this coming summer is a specific minimum level of academic enrichment for those students. Last summer was successful to the extent that it was a very late start, but given the new criteria, given the instructions and the suggestions of the Inspector

General, we think that we can do a very, very good job if cities and areas that are getting this extra money have time to plan. You have to have that kind of minimal requirement with regard to what kinds of resources to place in academic enrichments. We think this is an improvement over previous programs.

Mr. OBEY. Thank you, Mr. Chairman.

Mr. NATCHER. Secretary Reich, we want to thank you for your appearance again before our subcommittee.

Secretary REICH. It is always a pleasure,

The CHAIRMAN.

Mr. NATCHER. It has been a good hearing and thank you very much The Committee is adjourned until 10 a.m. tomorrow.

[CLERK'S NOTE.—The following questions were submitted by Congressman Young with the request that answers be provided to his office prior to hearings on the fiscal year 1994 budget.]

Mr. YOUNG. I have the unique responsibility of serving on both this subcommittee and the subcommittee on national defense. Through our defense subcommittee we have provided significant resources to the Department of Labor to provide job training services for the men and women of the uniformed services who will feel the impact of our sharp reduction in forces, and for the thousands of civilian workers who are employed by defense contractors who also are feeling the effects of reduced defense spending.

What will be your strategy for making those funds available to state and local job training and placement programs to provide the most efficient service to the many men and women who have helped provide for our national security but will soon find themselves out of work and badly in need of retraining?

JUSTIFICATIONS OF THE BUDGET ESTIMATES

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

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EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

For an additional amount for "Training and Employment Services," $1,000,000,000, to carry into effect the Job Training Partnership Act, of which $10,500,000 is for activities under part D of title IV of such Act, and $989,500,000 for activities under part B of title II of such Act: Provided, That of the funds provided herein for part B of title II, $18,500,000 shall be for territories and entities specified by section 252(a) of the Act, which shall be allotted based on the allotment methodology made to such areas under Public Law 102-170, of which $6,000,000 must be used only to provide academic enrichment activities, as defined by the Secretary:1/ Provided further, That of the funds provided herein for part B of title II, each State and service delivery area shall be allotted an amount which, when added to its allotment from Public Law 102-170, results in a total amount which is 25 percent above the total of its allotments under Public Laws 101-517 and 102-302, except that such allotment to each State and service delivery area under this proviso shall be reduced by the amount of its unexpended carryover as of January 30, 1993:2/ Provided further, That of the funds provided herein for part B of title II, $294,000,000 shall be for academic enrichment, as defined by the Secretary, and shall be allotted among States and allocated among service delivery areas on the basis of the relative number of economically disadvantaged youth, as defined in section 262 of the Act, in such areas as compared to the total number of economically disadvantaged youth in all States and service delivery areas within each State, respectively, and only to provide academic enrichment activities:3/ Provided further, That funds made available herein for academic enrichment shall not be used to supplant other

Federal funds for existing academic services or activities, and services shall be maintained at least at the level of funding used for these purposes during the summer of 1992:4/ Provided further, That funds provided herein for part B of title II which are not allotted under the first three provisos under this heading shall be allotted to service delivery areas containing the 100 cities with the largest population of economically disadvantaged youth, as defined in section 262 of the Act, on the basis of the relative number of economically disadvantaged youth in each of the service delivery areas as compared to total economically disadvantaged youth in all such service delivery areas:5/ Provided further, That data related to economically disadvantaged youth herein shall be based on 1990 Census data:6/ Provided further, That of the funds provided herein, except for the $300,000,000 expressly allotted for academic enrichment activities, service delivery areas may transfer up to 10 percent to the program under part C of title II of the Act, if such transfer is approved by the Governor:7/ Provided further, That up to 3 percent of each State's allotment for academic enrichment, at the State's discretion, may be reserved for State administration, oversight, and support of a State practitioner's network.8/

Funds provided in Public Law 102-394 for part B of title III of such Act shall be available for obligation upon enactment of this Act.9/

Explanation of Appropriation Language

1/ The first provision provides for the allocation of supplemental summer youth funds to Native Americans and U.S. Territories as required by section 252(a) of the Job Training Partnership Act. The $18,500,000 supplemental amount, when added to the regular calendar year 1993 allocation will result in a total of approximately $32,000,000 to Native Americans and territories.

2/ The second provision provides for the allocation of supplemental summer youth funds to States and Service Delivery Areas for calendar year 1993 which, when combined with the current calendar year 1993 summer allocation, will result in an approximate increase of twenty-five percent over the calendar year 1992 allotments to States and Service Delivery Areas. This provision also reduces the calendar year 1993 allotment by the amount of unexpended calendar year 1992 funds as of January 30, 1993.

3/ The third provision provides for the allocation of funds for academic enrichment, as defined by the Secretary, based on the relative number of economically disadvantaged youth in States and Service Delivery Areas as compared to the total number of such youth in all States and Service Delivery Areas.

4/ The fourth provision provides that a maintenance-of-effort level for existing summer program academic services will be assured, that such services will be based upon the calendar year 1992 levels, and that calendar year 1993 funds allotted for academic enrichment will be used for these purposes.

5/ The fifth provision provides for an additional allotment to Service Delivery Areas containing the 100 cities having the largest number of economically disadvantaged youth. Such allotments will be based on the relative number of economically disadvantaged youth in each Service Delivery Area as compared to all such youth for the Service Delivery Areas containing the 100 cities.

6/ The sixth provision contains a requirement that the economically disadvantaged data used for the allocations be from the 1990 Census.

7/ The seventh provision provides that, except for the earmarked academic enrichment funds, up to ten percent of the calendar year 1993 summer youth funds provided may be transferred to the part C, title II youth training program, if the transfer is approved by the governor.

8/ The eighth provision provides that up to three percent of each State's academic enrichment allotment amount may be used, at the State's discretion, for State administration, oversight, and support of a State practitioner's network.

9/ This language will permit the obligation of Job Training Partnership Act Title III discretionary funds for dislocated worker assistance upon enactment of this act, advancing their use from July 1, 1993.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Program and financing (in thousands of dollars)

Identification code 16-0174-1-1-504		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
	Program by activities:			
	Direct program:			
	Grants to States:			
00.02	Summer youth employment and training program	682,912	989,500	1,672,412
00.03	Dislocated worker assistance	576,493	---	576,493
00.04	Adult training grants	1,045,021	---	1,045,021
00.05	Youth training grants	696,682	---	696,682
	Federally administered programs:			
00.10	Native Americans	61,871	---	61,871
00.11	Migrants and seasonal farmworkers	78,298	---	78,298
00.12	Job Corps	950,777	---	950,777
00.13	Veterans' employment	9,074	---	9,074
00.14	National activities	82,743	10,500	93,243
00.91	Total direct program	4,183,871	1,000,000	5,183,871
01.01	Reimbursable program	73,249	---	73,249
10.00	Total obligations	4,257,120	1,000,000	5,257,120
	Financing:			
21.40	Unobligated balance available, start of year	-1,214,802	---	-1,214,802
24.40	Unobligated balance available, end of year	1,401,538	---	1,401,538
39.00	Budget authority (gross)	4,443,856	1,000,000	5,443,856
	Budget authority:			
	Current:			
40.00	Appropriation	4,205,866	1,000,000	5,205,866
40.76	Reduction pursuant to P.L. 102-394	-33,710	---	-33,710
43.00	Appropriation (total)	4,172,156	1,000,000	5,172,156
60.05	Appropriation (indefinite)	30,000	---	30,000
	Permanent:			
65.00	Advance appropriation	187,700	---	187,700
68.00	Spending authority from offsetting collections	54,000	---	54,000
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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
TRAINING AND EMPLOYMENT SERVICES

Program and financing (in thousands of dollars)

Identification code 16-0174-1-1-504	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Relation of obligations to outlays:			
71.00 Total obligations..............	4,257,120	1,000,000	5,257,120
72.40 Obligated balance, start of year..........................	3,733,676	---	3,733,676
74.40 Obligated balance, end of year..........................	-3,397,917	-346,625	-3,744,542
77.00 Adjustments in expired accounts......................	-4,000	---	-4,000
87.00 Outlays (gross)................	4,588,879	653,375	5,242,254
Adjustments to budget authority and outlays:			
Deductions for offsetting collections:			
88.00 Federal funds..................	-54,000	---	-54,000
89.00 Budget authority (net).........	4,389,856	1,000,000	5,389,856
90.00 Outlays (net)..................	4,534,879	653,375	5,188,254
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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
Training and Employment Services

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 16-0174-1-1-504		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
	Personnel compensation:			
11.1	Full-time permanent............	45,069	---	45,069
11.3	Other than full-time permanent.	2,819	---	2,819
11.5	Other personnel compensation...	2,321	---	2,321
11.8	Special personal services payments......................	2	---	2
11.9	Total personnel compensation.	50,211	---	50,211
12.1	Personnel benefits..............	11,570	---	11,570
13.0	Benefits for former personnel....	154	---	154
21.0	Travel and transportation of persons......................	2,795	---	2,795
22.0	Transportation of things.........	1,106	---	1,106
23.1	Rental payments to GSA...........	770	---	770
23.2	Rental payments to others........	35	---	35
23.3	Communications, utilities and miscellaneous charges...........	5,896	---	5,896
24.0	Printing and reproduction........	2,296	---	2,296
25.1	Consulting services..............	600	---	600
25.2	Other service....................	64,606	500	65,106
26.0	Supplies and materials...........	28,635	---	28,635
31.0	Equipment........................	2,331	---	2,331
32.0	Lands and structures.............	1,726	---	1,726
41.0	Grants, subsidies, and contributions..................	4,084,270	999,500	5,083,770
42.0	Insurance claims and indemnities.	119	---	119
99.9	Total obligations.............	4,257,120	1,000,000	5,257,120
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GPO 1964—O-737-489

SUMMARY OF CHANGES

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Budget Authority:			
General Funds..............	$4,172,156,000	$1,000,000,000	$5,172,156,000

	General Funds
Explanation of Changes:	
Increases:	
Program:	
To provide economically disadvantaged youth with urgently needed work experience, together with the direction of about one-third of the resources provided for academic enrichment such as basic skills training, testing and counseling, and closer coordination with schools, through the Summer Youth Employment and Training Program....................................	$989,500,000
To develop, in conjunction with the academic enrichment component of Summer Youth Employment and Training Program, models and demonstrations of enriched learning and work experience during the summer months, through the Pilots and Demonstrations Program............................	$10,000,000
To provide support for both the implementation of the academic enrichment component of Summer Youth Employment and Training Program and the development of enriched learning and work experience models and demonstrations through the Technical Assistance and Training Program..	$500,000
Total Increase..	$1,000,000,000
Total Change..	$1,000,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Grants to States:			
Summer Youth Employment and Training Program	1/ $670,674,000	$989,500,000	$1,660,174,000

1/ Amount reflected is for calendar year 1994 Summer Youth Employment and Training Program as funded from the 1993 appropriation. The calendar year 1993 program level is $682,912,000, which this supplemental augments.

General Statement

Grants to States give Governors the primary responsibility for the operation of training programs in their States, in partnership with the private sector and all levels of government. The JTPA Title II-B Summer Youth Employment and Training Program provides temporary summer jobs with public and non-profit employers.

1993 Revised Estimate

This supplemental is proposed as part of the President's economic stimulus package. Of the $1,000,000,000 proposed, $989,500,000 is for the Job Training Partnership Act Summer Youth Employment and Training Program for the summer of 1993.

In today's uncertain economic climate, many teens face dim prospects for summer employment. Traditionally, youth suffer relatively high unemployment rates, and the problem is particularly severe among urban teens. The Summer Youth Employment and Training Program employs economically disadvantaged youth ages 14 through 21 at public and non-profit agencies for some ten weeks during the summer months. Participants are equally split between young men and women; 70 percent are minorities; 87 percent are students; and 80 percent are age 14 through 17.

This supplemental is proposed as part of the President's economic stimulus package to provide urgently needed work experience and enhanced work preparation to disadvantaged youth. The proposal would boost Summer Youth Employment and Training Program funding by $989,500,000 in the summer of 1993, bringing to $1,672,412,000 the total appropriation for grants to States and local areas for the 1993 Summer program. The additional $989,500,000 could finance as many as 675,400 summer jobs, bringing to as many as 1,300,000 the total number of youth who could participate in the summer of 1993. All local areas will receive increased resources and, to attack urban unemployment, a portion of the $989,500,000 would be targeted on youth in the inner city. This public summer jobs program will be coupled with and complemented by a campaign to expand private summer job opportunities for young Americans.

The proposal includes a minimum wage work experience program complemented by an enriched academic program consisting of:

-- An objective personal skills and service needs assessment of each participant;

-- A comprehensive approach combining skills-based math and reading instruction along with the thinking, reasoning and decision-making processes necessary for success in school, on the job, and in society;

-- A curriculum with specific instructional objectives and activities matched to learning levels and interests of individual students;

-- Use of technology as an integral part of learning;

-- Not less than 90 hours of instruction during the summer; and

-- Assessment of student math and reading skill levels and gains, if available, from the school system.

The Department will consult with the Department of Education to enhance coordination of this program with summer activities under Chapter 1 of the Elementary and Secondary Education Act.

These supplemental funds will be available for obligation during fiscal year 1993.

Finally, the appropriation language also contains a provision allowing the Secretary to immediately obligate, upon enactment of this Act, if necessary, program year 1993 discretionary funds appropriated for dislocated worker assistance, but by law not available until July 1, 1993.

Based on present projections, the Department believes that Title III discretionary funds, available to the Secretary to assist dislocated workers, might be exhausted before June 30, 1993, the end of the program year. The rate of obligations this program year has been significantly higher than prior years due principally to major national disasters, including Hurricane Andrew. Without the authority to advance funds, State requests for additional assistance will go unfunded until July 1, causing unnecessary delays in providing timely assistance to dislocated workers.

EMPLOYMENT AND TRAINING ADMINISTRATION

TRAINING AND EMPLOYMENT SERVICES

JUSTIFICATION

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Federally Administered Programs:			
National Activities	$77,927,000	$10,500,000	$88,427,000

General Statement

Federally administered programs provide program support for JTPA activities and training assistance through nationally administered programs for segments of the population that have disadvantages in the labor market. National Activities includes Homeless Job Training, the Glass Ceiling Commission, the National Center for the Workplace, Training and Technical Assistance, Labor Market Information, Research and Evaluation, the National Commission for Employment Policy, the National Occupational Information Coordinating Committee, Pilots and Demonstrations, Rural Concentrated Employment Programs, and American Samoans.

1993 Revised Estimate

This supplemental request includes $10,000,000 for the design and development of models and demonstrations of enriched learning and work experience for the academic enrichment portion of the Summer Youth Employment and Training program. The Pilots and Demonstration program will develop and implement these demonstrations and models, which will support approximately 7,200 enrollees.

This supplemental request also includes $500,000 for the Technical Assistance and Training program to provide support for both the development by the Pilots and Demonstrations program of academic enrichment activities and their implementation by the States and Service Delivery Areas.

These supplemental funds will be available for obligation during fiscal year 1993.

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

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Schedules.... 2

Summary of changes.... 5

Narrative justification:
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  Program Administration.... 8

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

For an additional amount for "State unemployment insurance and employment service operations," $14,300,000, to remain available until expended, which shall be expended from the Employment Security Administration account in the Unemployment Trust Fund, to fund worker profiling activities and for oversight of employment programs: Provided, That of the funds provided herein up to $2,700,000 may be transferred to the Program Administration account.

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STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
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DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Program and Financing (in thousands of dollars)

Identification code	16-0179-1-1-999	1993	1993	1993
		Presently Available	Proposed Supplemental	Revised Estimate
	Program by activities:			
	Direct program:			
	Unemployment compensation			
00.01	State operations...........	1,629,783	6,600	1,636,383
00.02	State integrity activities.	327,356	---	327,356
00.03	National activities........	8,741	5,000	13,741
00.04	Contingency................	299,912	---	299,912
00.05	AWIU contingency...........	---	---	---
00.06	Administrative costs associated with 7/92 EUC ext...	225,940	---	225,940
	Employment service			
00.10	Allotment to State.........	818,946	---	818,946
00.11	National activities........	96,074	---	96,074
00.91	Total direct program.....	3,406,752	11,600	3,418,352
01.01	Reimbursable program...........	7,000	---	7,000
	Transfer to Program administration Account..............	---	2,700	2,700
10.00	Total obligations..........	3,413,752	14,300	3,428,052
	Financing:			
21.40	Unobligated balance available start of year................	-16,379	---	-16,379
24.40	Unobligated balance available end of year..................	68,666	---	68,666
39.00	Budget authority (gross).	3,466,039	14,300	3,480,339
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STANDARD FORM 300
July 1964, Bureau of the Budget
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DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Program and Financing (in thousands of dollars)

Identification code 16-0179-1-1-999		1993	1993	1993
		Presently Available	Proposed Supplemental	Revised Estimate
	Budget authority:			
	Current:			
40.00	Appropriation................	23,747	---	23,747
40.75	Reduction pursuant to P.L. 102-394...............	-190	---	-190
43.00	Appropriation (adjusted).	23,557	---	23,557
	Permanent:			
68.00	Spending authority from offsetting collections (new)	3,442,482	14,300	3,456,782
	Relation of obligations to outlays:			
71.00	Total obligations.............	3,413,752	14,300	3,428,052
72.40	Obligated balance, start of year.....................	198,469	---	198,469
74.40	Obligated balance, end of year.	-145,956	-4,900	-150,856
87.00	Outlays (gross)................	3,466,265	9,400	3,475,665
	Adjustments to budget authority and outlays:			
	Deductions for offsetting collections:			
88.00	Federal funds................	-7,000	---	-7,000
88.30	Trust funds..................	-3,435,482	-14,300	-3,607,782
88.90	Total, offsetting collections.................	-3,442,482	-14,300	-3,456,782
89.00	Budget authority (net)........	23,557	---	23,557
90.00	Outlays (net).................	23,783	---	23,783
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DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

Object Classification (in thousands of dollars)

Identification code	16-0179-1-1-999	1993	1993	1993
		Presently Available	Proposed Supplemental	Revised Estimate
23.3	Communications, utilities and miscellaneous charges	130,209	---	130,209
41.0	Grants, subsidies, and contributions	3,276,543	11,600	3,448,843
99.0	Subtotal, direct obligations	3,406,752	11,600	3,579,052
99.0	Reimbursable obligations	7,000	---	7,000
	Total SUIESO obligations	3,413,752	11,600	3,425,352
	Transfer to Program administration Account	---	2,700	2,700
99.9	Total obligations	3,413,752	14,300	3,428,052
	(Memo cast: 21.5)	(Memo cast: 5)	(Memo cast: 5)	(Memo cast: 4.5)

GPO 1984—O-712-480

SUMMARY OF CHANGES

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Budget Authority:			
General Funds	$23,557,000	---	$23,557,000
Trust Funds	3,136,831,000	+$14,300,000	$3,151,131,000
Total	3,160,388,0001/	+14,300,000	3,174,688,000

1/ Excludes $65,500,000 for AWIU contingency reserve fund.

	Trust Funds Amount	General Funds Amount	Total Amount
Explanation of Change:			
Increases:			
Program:			
To provide for an increase in unemployment compensation funding for State profiling of UI claimants	+6,600,000	---	+6,600,000
To provide for an increase in unemployment compensation for an ADP design center to develop a nationwide profiling system	+5,000,000	---	+5,000,000
To provide for a transfer to the Program Administration account	+2,700,000	---	+2,700,000
Total Increase	+14,300,000	---	+14,300,000
Total Change	+14,300,000	---	+14,300,000

EMPLOYMENT AND TRAINING ADMINISTRATION

STATE UNEMPLOYMENT INSURANCE AND EMPLOYMENT SERVICE OPERATIONS

JUSTIFICATION

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Unemployment compensation:			
a. State operations......	$1,629,783,000	+$6,600,000	$1,636,383,000
b. State integrity activities........	327,356,000	---	327,356,000
c. National activities...	8,741,000	+5,000,000	13,741,000
d. Contingency...........	299,912,000	---	299,912,000
Program administration transfer.............	---	+2,700,000	+2,700,000
Total Budget Authority....	2,265,792,000[1/]	+14,300,000	2,280,092,000

1/ Excludes $65,500,000 for AWIU contingency reserve fund.

General Statement

The State Unemployment Insurance and Employment Service Operations (SUIESO) appropriation provides administrative grants to State agencies which administer Federal and State unemployment compensation laws and operate the public employment service, a national system providing no-fee employment services to individuals who are seeking employment and employers who are seeking workers. The appropriation also provides funding for national activities relating to employment service activities and the Federal-State unemployment insurance programs.

The Fiscal Year (FY) 1993 supplemental request authorizes an increase of $14,300,000 in spending from the Employment Security Administration Account in the Unemployment Trust Fund to fund worker profiling activities and for oversight of employment programs. These funds would remain available until expended. It provides $6,600,000 for the costs of implementing a nationwide profiling system which would identify structurally unemployed workers, and $5,000,000 for the costs of a national center which would specifically develop the profiling system and generally provide technical support in developing new computer applications. Additionally, up to $2,700,000 may be transferred to the Program Administration account.

1993 Revised Estimate (SUIESO)

The proposed supplemental of $14,300,000 is for the proposed implementation of a nationwide profiling system which would identify structurally unemployed workers and the establishment of a national center which would specifically develop the profiling system and generally provide technical support in developing new computer applications. The profiling system would be funded from State Operations at $6,600,000; the center would be funded from National Activities at $5,000,000. The remaining $2,700,000 may be transferred to the Program Administration account.

Efforts of American firms to remain competitive by downsizing and restructuring mean that many laid-off workers will not be recalled even as the economy improves. As part of an effort to improve the Federal government's dislocated worker assistance programs, the Department plans to institute a nationwide system of profiling for all unemployment insurance claimants. The goal of the worker profiling initiative is to identify those workers who may face difficulties in finding new jobs and then to refer them to reemployment services early in their spell of unemployment. Grants totalling $6,600,000 will provide resources to States to develop systems to identify these structurally unemployed workers at the time they file for unemployment compensation. Early identification of these workers will help State programs provide the extra readjustment services - job search assistance, counseling, and training - that these workers need to speed reemployment.

Funding for this initiative will cover the up-front costs of developing worker profiling systems in the States. Once these systems are established, operating costs will be covered under the current program of State grants for administering their unemployment insurance programs.

This profiling system would be instituted in all or most of the 53 state employment security agencies (SESAs). To assure consistency and soundness of the profiling systems, the design and programming of automated profiling systems would be conducted in a central facility - a new Information Technology and Design Center.

This Center is needed immediately to begin preparing models/designs for profiling systems and to install these profiling systems in States in time to assist dislocated workers. As the capacity of employment and training programs is enhanced, profiling will ensure that dislocated workers in need of reemployment assistance are referred to program providers.

Program Administration

The amount of $2,700,000 may be transferred to the Program Administration account to be used in support of Unemployment Insurance initiatives included in the President's Economic Stimulus package and for oversight of employment programs.

The amount of $200,000 will be necessary to assist in the development and management of the Information Technology and Design Center referenced above. Federal activities will include technical assistance and systems support in addition to the preparation and dissemination of policy with respect to the States' profiling responsibilities.

The amount of $500,000 will be used primarily for support of the activities of the Advisory Council on Unemployment Compensation (ACUC). Federal responsibilities will include contract management, data collection and analysis and the preparation of reports. This amount will be in addition to the $300,000 which was appropriated for ACUC activities in FY 1993 which will be used primarily to pay salaries, travel expenses and per diem for the Council members.

The amount of $2,000,000 will be necessary to finance increased Federal responsibilities, primarily oversight and technical assistance, in support of the Emergency Unemployment Compensation Act extension as well as other unemployment insurance and employment program operations.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

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EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

For an additional amount for "Community Service Employment for Older Americans", $32,131,000, of which $25,062,000 is for national grants or contracts with public agencies and public or private nonprofit organizations under section 506(a)(1)(A) of the Older Americans Act of 1965, as amended; and of which $7,069,000 is for grants to States under section 506(a)(3) of said Act.

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Program and financing (in thousands of dollars)

Identification code
16-0175-1-1-504

		1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
	Program by activities:			
00.01	National programs	304,246	25,062	329,308
00.02	State programs	85,814	7,069	92,883
10.00	Total obligations (object class 41.0)	390,060	32,131	422,191
	Financing:			
39.00	Budget authority (gross)	390,060	32,131	422,191
	Budget authority:			
	Current:			
40.00	Appropriation	393,206	32,131	425,337
40.76	Reduction pursuant to P.L. 102-394	-3,146	---	-3,146
43.00	Appropriation (total)	390,060	32,131	422,191
	Relation of obligations to outlays:			
71.00	Total obligations	390,060	32,131	422,191
72.40	Obligated balance, start of year	341,127	---	341,127
74.40	Obligated balance, end of year	-355,446	-26,348	-381,794
90.00	Outlays	375,741	5,783	381,524

(Memo cast: 21.5) (Memo cast: 5) (Memo cast: 5) (Memo cast: 4.9)

SUMMARY OF CHANGES

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Budget Authority:			
General Funds	$390,060,000	$32,131,000	$422,191,000

	General Funds
Explanation of Changes:	
Increases:	
To provide an additional 5,300 part-time work opportunities in community service activities for unemployed, low-income, persons age 55 and older	$32,131,000
Total Increase	$32,131,000
Total Change	$32,131,000

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Justification

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
National Programs	$304,246,000	$25,062,000	$329,308,000

General Statement

All Senior Community Service Employment Program (SCSEP) funds are allocated by a formula provided in Section 506 of the Older Americans Act. The national sponsors' portion has been operated through nine national nonprofit organizations and the U.S. Forest Service. Local projects are operated through two general approaches: (1) by contracts with local organizations such as agencies on aging or community groups, and (2) through local affiliates of the sponsoring national organization. These local projects' activities include recruitment, selection, counseling, training, and placement of enrollees, subsidized job development, payroll records management, and annual physical examinations.

1993 Revised Estimate

This supplemental is proposed as part of the President's economic stimulus package to provide part-time work opportunities in community service activities for unemployed, low-income persons age 55 or older. This proposed supplemental to the 1993 appropriation would increase National Program slots by an estimated 4,100 through which an estimated additional 6,200 enrollees could gain work experience during the period July 1, 1993 through June 30, 1994.

For over twenty-five years, the Community Service Employment for Older Americans (CSEOA) program has offered low income senior citizens meaningful work experience in community service projects ranging from health care to fire prevention. Participants also receive personal and job-related counseling, annual physical examinations, and job training. While some one-fifth of all program participants are placed in private sector jobs each year, many are extremely disadvantaged and would not be able to obtain employment without program support. For example, about half of CSEOA seniors do not have a high school diploma, four-fifths are in poverty, and three-fifths are age 65 or older. The proposed supplemental to the FY 1993 appropriation would increase the number of CSEOA slots by approximately 5,300 for the entire program, to reach nearly 70,000. This will offer work experience to as many as 105,000 seniors for the period July 1, 1993 to June 30, 1994.

EMPLOYMENT AND TRAINING ADMINISTRATION

COMMUNITY SERVICE EMPLOYMENT FOR OLDER AMERICANS

Justification

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
State Programs	$85,814,000	$7,069,000	$92,883,000

General Statement

The State grant portion of the SCSEP funds are generally administered by the various State Agencies on Aging which are funded by the Administration on Aging (AOA) of the Department of Health and Human Services. Grants are made available to each State, Puerto Rico and five territories.

1993 Revised Estimate

This supplemental is proposed as part of the President's economic stimulus package to provide part-time work opportunities in community service activities for unemployed, low-income persons age 55 or older. This proposed supplemental would increase the number of State Program slots by an estimated 1,200 through which an estimated additional 1,800 enrollees could gain work experience during the period July 1, 1993 through June 30, 1994.

For over twenty-five years, the Community Service Employment for Older Americans (CSEOA) program has offered low income senior citizens meaningful work experience in community service projects ranging from health care to fire prevention. Participants also receive personal and job-related counseling, annual physical examinations, and job training. While some one-fifth of all program participants are placed in private sector jobs each year, many are extremely disadvantaged and would not be able to obtain employment without program support. For example, about half of CSEOA seniors do not have a high school diploma, four-fifths are in poverty, and three-fifths are age 65 or older. The proposed supplemental to the FY 1993 appropriation would increase the number of CSEOA slots by approximately 5,300 for the entire program, to reach almost 70,000. This offers work experience to as many as 105,000 seniors for the period July 1, 1993 to June 30, 1994.

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

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DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

For an additional amount for "Advances to the unemployment trust fund and other funds," $4,000,000,000, to remain available until September 30, 1994.

AUTF-2

STANDARD FORM 300
July 1964, Bureau of the Budget
Circular No. A-11, Revised.
300-101

DEPARTMENT OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

Program and Financing (in thousands of dollars)

Identification code 16-0327-1-1-600	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Program by activities:			
10.00 Total obligations (object class 92.0)	729,000	4,000,000	4,729,000
Financing:			
21.40 Unobligated balance available, start of year	-73,671	---	-73,671
24.40 Unobligated balance available, end of year	9,671	---	9,671
25.00 Unobligated balance lapsing	---	---	---
40.00 Budget Authority (appropriation)	665,000	4,000,000	4,665,000
Relation of obligations to outlays:			
71.00 Total obligations	729,000	4,000,000	4,729,000
90.00 Outlays (net)	729,000	4,000,000	4,729,000
(Mono cast: 21.5)	(Mono cast: 5)	(Mono cast: 5)	(Mono cast: 4.5)

SUMMARY OF CHANGES

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Estimated Obligations:			
General Funds........	$729,000,000 1/	+$4,000,000,000	$4,729,000,000

1/ Includes $73,671,000 carried forward from FY 1992.

	General Funds Amount
Explanation of Change:	
Increases:	
Built-In:	
To provide for an increase in non-repayable advances to the Extended Unemployment Compensation Account..	+4,000,000,000
Total Increase..	+4,000,000,000
Total Change..	+4,000,000,000

EMPLOYMENT AND TRAINING ADMINISTRATION

ADVANCES TO THE UNEMPLOYMENT TRUST FUND AND OTHER FUNDS

JUSTIFICATION

	1993 Presently Available	1993 Proposed Supplemental	1993 Revised Estimate
Advances..............	$729,000,000 1/	+$4,000,000,000	$4,729,000,000

1/ Includes $73,671,000 carried forward from FY 1992.

General Statement

This appropriation provides general fund advances to five trust and general fund accounts for the purposes authorized under several Federal and State unemployment compensation laws whenever the balances in such accounts prove insufficient or whenever reimbursement of an account for expended funds is provided for by law. The accounts are: The Extended Unemployment Compensation account, the Federal Employees Compensation (FEC) account, and the Federal Unemployment account of the Unemployment Trust Fund; the Black Lung Disability Trust Fund (BLDTF); and the Federal Unemployment Benefits and Allowances general fund appropriation account.

In FY 1993, additional advances are needed to finance benefits related to the extension of the Emergency Unemployment Compensation Act.

1993 Revised Estimate

This proposal would provide an increase of $4,000,000,000 which is the estimated FY 1993 cost of benefits associated with the anticipated extension of the Emergency Unemployment Compensation (EUC) Act. These funds may be used to provide general revenue advances for the Extended Unemployment Compensation account of the Unemployment Trust Fund as well as for advances to the Unemployment Trust Fund as authorized by sections 905(d) and 1203 of the Social Security Act, as amended; to the Black Lung Disability Trust Fund as authorized by section 9501(c) (1) of the Internal Revenue Code of 1954, as amended; to the Unemployment Trust Fund as authorized by section 8509 of Title 5, United States Code, and section 104(d) of Public Law 102-164; and to the "Federal Unemployment Benefits and Allowances" account. The anticipated EUC extension will provide for a continuation of the existing EUC program through October 2, 1993, and phase-out of remaining weeks of entitlement through January 15, 1994. The extension will provide benefits to 1.9 million beneficiaries. These EUC advances are non-repayable.

This proposal would result in increased obligations and outlays of $4,000,000,000 in FY 1993.

TUESDAY FEBRUARY 23, 1993.

DEPARTMENT OF EDUCATION

WITNESSES

HON. RICHARD W. RILEY, SECRETARY OF EDUCATION

SALLY H. CHRISTENSEN, ACTING ASSISTANT SECRETARY FOR MANAGEMENT AND BUDGET, DEPARTMENT OF EDUCATION

THOMAS P. SKELLY, DIRECTOR, BUDGET SYSTEMS DIVISION, BUDGET SERVICE, OFFICE OF MANAGEMENT AND BUDGET, DEPARTMENT OF EDUCATION

WELCOMING REMARKS

Mr. NATCHER. We have before the committee at this time our Secretary of Education, Richard Riley. Mr. Secretary, it is a pleasure to have you before our subcommittee.

We have before the Committee the sum of $16,262,000,000, as a total for the President's stimulus package.

Your share, as set forth in the request that we have before us today, is $2,759,000,000. Mr. Secretary, at this time we would call on you and ask you to make any statement that you desire before we go to questions.

OPENING STATEMENT

Secretary RILEY. Thank you so much, Mr. Chairman, and members of the committee.

It is a pleasure for me to be with you and I have with me Sally Christensen, Acting Assistant Secretary for Management and Budget, and Tom Skelly, Director of Budget Systems Division, Budget Service, Office of Management and Budget, Department of Education.

I am so pleased to be here, and to have this, my first opportunity to meet with the Members of this Committee, and I appreciate your willingness to move quickly on the President's request for the economic stimulus supplemental appropriation.

The President's stimulus package is important for two reasons: First, it will spur economic growth in the short run and create new jobs for many Americans who are out of work. And second, it is a down payment on the President's longer-run investment package to rebuild America and improve the productivity of our people.

The stimulus package includes $2,759,000,000 for the Department of Education, some $735,000,000 for two Chapter 1 items, and a little over $2,000,000,000 for the Pell Grant shortfall.

CHAPTER 1 SUPPLEMENTAL REQUEST

For the Chapter 1 compensatory education program, which provides supplementary education services to 6,000,000 disadvantaged elementary and secondary school students, we are requesting $500,000,000 for immediate grants to local school districts in inner cities and other areas of high concentration of students.

The funds will be used to launch new education programs this summer that will employ up to 83,000 teachers, classroom aides and other staff.

If Congress passes the President's proposal without modification, we will notify States by late March of their county allocations, thus allowing 9 to 10 weeks for school districts to hire staff and plan their summer programs. We also will require school districts to obligate all of the funds by September 30, 1993, and to provide assurances that at least 80 percent of those funds will have been spent by that time.

This will ensure that the supplemental has the desired economic stimulus effect. In addition, we are coordinating with the Department of Health and Human Services and the Department of Labor to ensure that our summer activities complement each other and that there are no wasteful duplications of services.

For instance, the Department of Labor might encourage its summer work programs to support student tutors for younger children as a part of our Chapter 1 program.

In addition to the Chapter 1 summer program, we are requesting approximately $235,000,000 to mitigate the impact on districts that will lose funds in fiscal year 1993 as a result of using 1990 Census data for the first time to make Chapter 1 allocations. The 1990 Census showed that while the total number of poor children increased between 1980 and 1990, the distribution of those children shifted so that there are relatively more in the Western States and fewer in the Eastern States. Fiscal year 1993 is the first year that Chapter 1 allocations will be based upon this new distribution and the supplemental appropriation will ease transition. Without the supplemental, some districts would receive substantially reduced Chapter 1 grants, and as many as 6,000 school personnel could lose their jobs.

Funds will be distributed to States based upon the amount needed to bring counties up to approximately 92 percent of their fiscal year 1992 level of combined basic and concentration grant allocations. States will then be required to distribute funds only to school districts that receive less than 92 percent of the 1992 level.

Before I move on the Pell shortfall, let me take a moment to address the implications of the recently-completed national assessment of Chapter 1, which the Department transmitted to Congress this week. The assessment showed in general that Chapter 1 has not done as well as we hoped in closing the gap in achievement between students in high-poverty schools and students in low-poverty schools.

The report also suggested some ways to improve the effectiveness of Chapter 1, and we will be working closely with Congress on this during the upcoming reauthorization. In the meantime, we believe that our Chapter 1 summer program will provide exactly the kind of extended learning opportunity that appears to be missing from much of the regular Chapter 1 program.

The assessment noted, for example, that 70 percent of regular classroom teachers report that Chapter 1 participants are pulled out of regular instruction for services and that Chapter 1 provides, on average, only about 10 minutes of extra instruction per day. Chapter 1's summer programs on the other hand, can greatly extend instructional time and provide intensive services without disrupting the regular classroom.

Only 15 percent of Chapter 1 districts are currently able to offer summer programs, and our supplemental will enable many more districts to provide the services that disadvantaged children need. In addition, the Department is prepared to help create effective summer programs by disseminating information on model programs and offering technical assistance and by helping districts to coordinate Chapter 1 services with Head Start and with the Department of Labor.

These two supplemental appropriations for the Chapter 1 program will support jobs for tens of thousands of school personnel while providing enhanced educational opportunity to students in school systems throughout the country.

PELL GRANT SUPPLEMENTAL REQUEST

One of the most pressing education problems facing American families is how to pay for their children's college education in the face of rising college costs.

The Department's student aid programs help families pay college costs by providing grants, loans and work-study opportunities to over 7,000,000 students. We are fully committed to these programs.

In fact, they are a key component of the President's commitment to major investments in human capital that will yield payoffs for the Nation far beyond their original price. Thus, you can imagine my concern over the estimated $2,000,000,000 multi-year shortfall in the Pell Grant program.

The immediate problem created by the shortfall was how to ensure that no student's grant would be reduced in the school year starting next fall. Over the long term, the shortfall represented a large inherited deficit that threatened my determination to follow a pay-as-you-go approach that would allow us to make needed investment in education while living within our budget.

I am most pleased, therefore, that we have been able to include $2,000,000,000 in this supplemental to pay off the current estimate of the entire shortfall, approximately $1,400,000,000 for the prior year shortfalls, and $653,000,000 for the estimated shortfall for the upcoming 1993–1994 school year. This will allow us to issue a Pell payment schedule immediately so that students who are now making plans for next fall will be able to find out how much grant aid will be available.

Before I briefly describe the measures the Department is taking to prevent future shortfalls of this magnitude, let me say that in our dealings with Congress on this and all other issues, we will follow the lead of President Clinton who spoke last week about the importance of honest budgeting. When problems develop, I promise that you will hear about them as soon as possible so that we can work together toward a solution.

IMPROVING PELL PROGRAM COST ESTIMATES

We will be taking a variety of steps to improve our technical ability to predict the cost of the Pell Grant program. As you know, problems in estimating Pell costs arise primarily because of the difficulty inherent in the Department's current practice of using two-year-old applicant and recipient data to predict student behavior two years in the future.

We are now trying to improve on this approach by using the most current partial year data for the 1992–1993 school year to modify our estimates. The risk in this procedure is that trends in partial year data may not hold up the full year. On balance, however, we believe this approach will produce more up-to-date, accurate cost estimates.

We also have established a technical group, including experts from outside the Department, to review the Pell Grant projections on a monthly basis in light of all available application and enrollment data. This process should provide an early warning of any changes that might affect our cost estimates. In addition, we are considering ways to obtain and utilize more up-to-date information from postsecondary institutions regarding the numbers of students enrolling and applying for Pell Grants. These measures will make our estimates better reflect the latest information on student enrollment and application trends.

We also will continue to study whether we can make model improvements to take into account a broader range of macroeconomic factors, such as regional unemployment rates. This combination of the latest information on what students are doing today, together with the careful consideration of factors that might influence their behavior in the future, should lead to more accurate estimates of Pell Grant costs.

In summary, Mr. Chairman, and Members of the Committee, our request for the Department of Education is a critical component of the President's total strategy to jumpstart our economy and will help to lay the foundation for future investment efforts of the administration and the Congress to improve American education. I urge that you give the President's request your full support.

I would be happy to answer any questions that you may have.

[The information follows:]

U.S. DEPARTMENT OF EDUCATION

Statement by the Secretary of Education

on the

FY 1993 Economic Stimulus Supplemental Appropriation Request

Mr. Chairman and Members of the Committee:

I am pleased to be here today, and to have this first opportunity to meet with the Members of the Committee. Let me also say that I appreciate your willingness to move so quickly on President Clinton's request for the economic stimulus supplemental appropriation. The President's stimulus package is important for two reasons. First, it will spur economic growth in the short run and create new jobs for many Americans who are out of work. And second, it is a down payment on the President's longer-run investment package to rebuild America and improve the productivity of our people.

The stimulus package includes $2.759 billion for the Department of Education--$735 million for two Chapter 1 items and $2 billion for the Pell Grant shortfall.

Chapter 1 Summer Program

For the Chapter 1 compensatory education program, which provides supplementary education services to 6 million disadvantaged elementary and secondary school students, we are requesting $500 million for immediate grants to local school districts in inner cities and other areas with high concentrations of poor students. The funds will be used to launch new education programs this summer that will employ up to 83,000 teachers, classroom aides, and other staff.

If Congress passes the President's proposal without modification, we will notify States by late March of their county allocations, thus allowing 9 to 10 weeks for school districts to hire staff and plan their summer programs. We also will require school districts to obligate all of the funds by September 30, 1993, and to provide assurances that at least 80 percent of those funds will have been spent by that time. This will ensure that the supplemental has the desired economic stimulus effect.

In addition, we are coordinating with the Department of Health and Human Services and the Department of Labor to ensure that our summer activities complement each other and that there are no wasteful duplications of services. For instance, the Department of Labor might encourage its summer work programs to support student tutors for younger children as a part of our Chapter 1 program.

Easing the Chapter 1 Transition to 1990 Census Data

In addition to the Chapter 1 summer program, we are requesting $235 million to mitigate the impact on districts that will lose funds in fiscal year 1993 as result of using 1990 Census data for the first time to make Chapter 1 allocations. The 1990 Census showed that while the total number of poor children increased between 1980 and 1990, the distribution of those children shifted so that there are relatively more in the western States and fewer in the east.

Fiscal year 1993 is the first year that Chapter 1 allocations will be based on this new distribution, and the supplemental appropriation will ease the transition. Without the supplemental, some districts would receive substantially reduced Chapter 1 grants, and as many as 6,000 school personnel could lose their jobs.

Funds will be distributed to States based on the amount needed to bring counties up to approximately 92 percent of their fiscal year 1992 level of combined basic and concentration grant allocations. States will then be required to distribute funds only to school districts that received less than 92 percent of their 1992 level.

Before I move on to the Pell shortfall, let me take a moment to address the implications of the recently completed National Assessment of Chapter 1, which the Department transmitted to Congress this week. The assessment showed, in general, that Chapter 1 has not done as well as we hoped in closing the gap in achievement between students in high-poverty schools and students in low-poverty schools. The report also suggested some ways to improve the effectiveness of Chapter 1, and we will be working closely with the Congress on this during the upcoming reauthorization.

In the meantime, we believe that our Chapter 1 summer program proposal will provide exactly the kind of extended learning opportunity that appears to be missing from much of the regular Chapter 1 program. The assessment noted, for example, that 70 percent of regular classroom teachers report that Chapter 1 participants are pulled out of regular instruction for services, and that Chapter 1 provides on average only about 10 minutes of extra instructional time a day. Chapter 1 summer programs, on the other hand, can greatly extend instructional time and provide intensive services without disrupting the regular classroom. Only 15 percent of Chapter 1 districts are currently able to offer summer programs, and our supplemental will enable many more districts to provide the services that disadvantaged children need.

In addition, the Department is prepared to help create effective summer programs by disseminating information on model programs and offering technical assistance, and by helping districts to coordinate Chapter 1 services with Head Start and Department of Labor programs.

These two supplemental appropriations for the Chapter 1 program will support jobs for tens of thousands of school personnel while providing enhanced educational opportunity to students in school systems throughout the country.

The Pell Shortfall

One of the most pressing education problems facing American families is how to pay for their children's college education in the face of rising college costs. The Department's student aid programs help families pay college costs by providing grants, loans, and work-study opportunities to over 7 million students.

We are fully committed to these programs. In fact, they are a key component of the President's commitment to major investments in human capital that will yield payoffs for the Nation far beyond their original price.

Thus, you can imagine my concern over the estimated $2 billion multi-year shortfall in the Pell Grant program. The immediate problem created by the shortfall was how to ensure that no student's grant would be reduced in the school year starting next fall. Over the longer term, the shortfall represented a large, inherited deficit that threatened my determination to follow a "pay-as-you-go" approach that would allow us to make needed investments in education while living within our budget.

I am most pleased, therefore, that we have been able to include $2 billion in this supplemental to pay off the current estimate of the entire shortfall--$1.4 billion for the prior year shortfalls and $653 million for the estimated shortfall for the upcoming 1993-94 school year. This will allow us to issue a Pell payment schedule immediately, so that students who are now making plans for next fall will be able to find out how much grant aid will be available.

Before I briefly describe measures the Department is taking to prevent future shortfalls of this magnitude, let me say that in our dealings with the Congress on this and all other issues, we will follow the lead of President Clinton, who spoke last week about the importance of "honest budgeting." When problems develop, I promise you will hear about them as soon as possible so that we can work together toward a solution.

We will be taking a variety of steps to improve our technical ability to predict the costs of the Pell Grant program. As you know, problems in estimating Pell costs arise primarily because of the difficulty inherent in the Department's current practice of using two-year-old applicant and recipient data to predict student behavior two years into the future.

We are now trying to improve on this approach by using the most current partial-year data for the 1992-93 school year to modify our estimates. The risk in this procedure is that trends in partial-year data may not hold up for the full year. On balance, however, we believe this approach will produce more up-to-date, accurate cost estimates.

We also have established a technical group, including experts from outside the Department, to review Pell Grant projections on a monthly basis in light of all available application and enrollment data. This process should provide an "early warning" of any changes that might affect our cost estimates. In addition, we are considering ways to obtain and utilize more up-to-date information from postsecondary institutions regarding the numbers of students enrolling and applying for Pell Grants. These measures will make our estimates better reflect the latest information on student enrollment and application trends.

We also will continue to study whether we can make model improvements to take into account a broader range of macro-economic factors, such as regional unemployment rates. This combination of the latest information on what students are doing today, together with a careful consideration of factors that might influence their behavior in the future, should lead to more accurate estimates of Pell Grant costs.

Conclusion

In summary, our request for the Department of Education is a critical component of the President's total strategy to jumpstart our economy; and will help to lay the foundation for future investment efforts of the Administration and the Congress to improve American education. I urge you to give the President's request your full support.

I will be happy to answer any questions you may have.

DEPARTMENT OF EDUCATION

Biographical Sketch

NAME : Richard W. Riley

POSITION : U.S. Secretary of Education

BIRTHPLACE AND DATE : Greenville County, SC; January 2, 1933

EDUCATION : Furman University, B.A., cum laude, 1954
University of South Carolina, J.D., 1959

EXPERIENCE

January 1993-Present : Secretary, U.S. Department of Education

1985-1993 : Senior partner, Law firm of Nelson, Mullins, Riley and Scarborough

1990 : Institute Fellow, John F. Kennedy School of Government, Harvard University

1978-1985 : Governor of South Carolina

1967-1977 : South Carolina State Senator

1963-1967 : South Carolina State Representative

1960-1963 : Attorney, family's law firm with offices in Greenville and Simpsonville, SC

1959-1960 : Legal counsel to the Judiciary Committee of the United States Senate

1955-1957 : Officer on a mine-sweeper, United States Navy

PROFESSIONAL MEMBERSHIPS : Member, National Assessment Governing Board Member, Carnegie Foundation Task Force on Meeting the Needs of Young Children Board Member, Duke Endowment

HONORS AND AWARDS : South Carolina Education Association's Friend of Education Award, three-time recipient Government Responsibility Award, Martin Luther King, Jr. Center, 1983 Connie Award for special conservation achievement, National Wildlife Federation, 1981

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF EDUCATION

OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

Compensatory Education for the Disadvantaged

For an additional amount for concentration grants under section 1006 of the Elementary and Secondary Education Act of 1965, $500,000,000, which shall become available upon enactment and shall remain available through September 30, 1993: Provided, That the number of children counted for section 1006(a) shall be the same as counted for 1993 section 1005 basic grants: Provided further, That no State shall receive less than $250,000 of such funds: Provided further, That such funds shall only be made available by State educational agencies to local educational agencies upon assurance that at least 80 per centum of such funds shall be expended by such agencies by September 30, 1993: Provided further, That such funds shall be used for activities that benefit educationally deprived children as authorized under section 1011 and other related activities such as food services, school health services, arts education, and transportation, without regard to whether such activities are otherwise authorized under such section: Provided further, That a State educational agency may reallocate any portion of such funds that are not able to be used by local educational agencies in the State to other such agencies on the basis of their relative needs, as determined by the State educational agency, without regard to section 1403(b)(2) of such Act: Provided further, That such funds may be used only to supplement, and not to supplant funds made available under chapter 1 of title I of such Act or under any other Federal program: Provided further, That such funds, and the activities carried out with such funds, shall not be subject to or considered in applying sections 1006(a)(1)(B)-(D), 1019, 1020, 1021, or 1432(b) of such Act or to section 412(b) of the General Education Provisions Act: Provided further, That such funds shall not be treated as funds appropriated, allocated, or received under chapter 1 of title I of such Act for the purpose of sections 1404(a)(1), 1405(a)(1), or 1432(b)(1) of such Act: Provided further, That such funds shall not be taken into account for purposes of determining the allocation of funds for any Federal program.

For an additional amount for grants to local educational agencies under part A of chapter 1 of title I of the Elementary and Secondary Education Act of 1965, $234,805,000 which shall be used to mitigate the effects of the shift to the use of 1990 census data in the distribution of funds under sections 1005 and 1006 of such Act. [Additional language will be requested at a later date.]

Of the total supplemental request, $500 million would provide support for local school districts throughout the U.S. to operate 1993 summer programs providing education services to disadvantaged children in elementary and secondary grades. Funds would be distributed through the Chapter 1 concentration grant formula for use by school districts only during the remaining months of fiscal year 1993. The funds are meant to provide new summer educational programs that would otherwise not have been available in participating schools.

This proposal would result in increased obligations of $500 million in FY 1993 and would increase FY 1993 outlays by an estimated $400 million. An estimated 14,000 education-related jobs would be generated by this proposal in FY 1993.

An additional $235 million would provide funds to mitigate substantially the effects of changes in the location of poor children in the U.S. that occurred between the 1980 and 1990 decennial censuses. The Chapter 1 compensatory education program would use, for the first time, 1990 census data to distribute 1993 appropriations for use in the 1993-94 school year. The total number of poor children ages 5 to 17 increased between 1980 and 1990, and the distribution of those children shifted. Poor children are increasingly concentrated in the school districts of the western States, and less concentrated in the schools of the eastern States. The supplemental would ease the transition to a smaller compensatory education program in communities that would otherwise have the size of their Chapter 1 grants substantially reduced for school year 1993-94.

This proposal would result in increased obligations of $235 million in FY 1993 and would increase FY 1993 outlays by an estimated $28 million. An estimated 6,000 education-related jobs would be maintained during the 1993-1994 school year by this proposal.

DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

Student Financial Assistance

For an additional amount for "Student financial assistance" for payment of awards made under subpart 1 of part A of title IV of the Higher Education Act of 1965, as amended, $2,023,730,000, which shall be available through September 30, 1994, of which $653,000,000 shall be available for such awards made for award year 1993-1994, and $1,370,730,000 shall be available for such awards for the 1992-1993 and prior award years.

This supplemental request would replace funds which would otherwise have been derived from the FY 1994 appropriation for the Pell grant program, requiring that year's program, in turn, to use funds from FY 1995. The current estimate of the cost of fully funding the 1993-1994 school year would be financed from these supplemental resources, as would the current estimate of shortfalls for prior award years.

This supplemental request would not affect net obligations or outlays. No new jobs would be generated by this proposal.

GENERAL PROVISIONS

Congress hereby designates all amounts provided in this Act as emergency requirements for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

This language would provide that Congress designate all amounts requested in this transmittal as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

PELL GRANT SHORTFALL

Mr. NATCHER. Secretary Riley, we want to thank you for your statement. We want to further say to you that we believe that you will make an excellent Secretary for the Department of Education. We on this subcommittee and on the full Committee on Appropriations, have always believed that when you educate your children and take care of the health of your people, you continue living in the strongest country in the world; we believe that, Mr. Secretary.

Mr. Secretary, will the President's request for funds to pay off the Pell shortfall close the books on this problem for fiscal year 1993?

Secretary RILEY. Mr. Chairman, the answer is yes.

In our opinion, the $2,000,000,000 request is our best estimate of what is needed to make the program whole, and we think that this certainly should be done. We think that this is a very responsible thing to do. Approximately $1,400,000,000 of the shortfall is for academic year 1992–1993 and prior years. That is an accumulation that has taken place, which, as I say, we inherited.

The 1992–1993 school year is not yet over. The remaining $653,000,000 is for the predicted shortfall for the 1993–1994 academic year. Students will have until May of next year, May of 1994, to apply for these awards, so we cannot absolutely predict program costs to the penny, however, we have used the best available data, and we are looking at economic assumptions and speculated student behavior trends, and we believe that our estimate is a good one.

I would assure you, sir, that if anything unusual happens that changes these numbers, we will notify you and this Committee immediately.

PELL SHORTFALL ESTIMATES

Mr. NATCHER. Mr. Secretary, as you know, during the hearings on the regular bill for fiscal year 1993, the Secretary said that the shortfall for Pell Grants would be $332,000,000. Then we received a letter during the month of June stating that a mistake had been made and that the shortfall would be $1,400,000,000. Then the next figure we had, Mr. Secretary, in January was $1,900,000,000. Now the figure we have is $2,000,000,000. You feel reasonably certain now that this figure is accurate?

Secretary RILEY. Yes, I certainly do, with the information we have available.

Again, there is no way to eliminate the possibility of a further shortfall, because we are projecting two years into the future. But certainly we have taken everything into consideration. We think, based on the best information we have, that this supplemental appropriation will take care of the shortfall. We certainly would be very grateful to see the shortfall eliminated, we think this is a very responsible thing to do.

CHAPTER 1 SUMMER PROGRAM

Mr. NATCHER. Mr. Secretary, your request includes $500,000,000 for expansion of Chapter 1 summer programs. How quickly do we need to get these funds out to the local school districts?

Secretary **Riley**. Mr. Chairman, we need the funds within the next few weeks. We need them as soon as possible. The Department can allocate funds to the States almost immediately, as soon as the bill is enacted. If we assume that this occurs in late March, the States and school districts would have some 9 to 10 weeks to plan, to hire staff, and to recruit children for the summer projects.

If it is delayed much beyond the end of March, every week would count and the schedule would, of course, be very tight; but we think the sooner the better, certainly for the LEA programs.

ONE-TIME CHAPTER 1 PROGRAMS

Mr. **Natcher**. Now, Mr. Secretary, the budget documents state that both pieces of the Chapter 1 supplemental are one-time payments. How do you expand the program for the summer of 1993 and then provide no funds in 1994? How do you handle that, Mr. Secretary?

Secretary **Riley**. The funds for the summer program would be just that. It would be a one-time proposition that would not cause any disruption for the next year's program.

CHAPTER 1 APPROPRIATIONS LANGUAGE

Mr. **Natcher**. Mr. Secretary, as you know, the budget justifications contain more detailed bill language than was included in the President's budget message. Is this new language acceptable to OMB?

Has it been cleared?

Secretary **Riley**. Yes, sir, it has.

Mr. **Natcher**. Mr. Porter, I yield to you.

PROGRAM AUTHORIZATIONS

Mr. **Porter**. Thank you, Mr. Chairman.

Secretary Riley, we want to welcome you to the subcommittee. We are delighted that you are serving as Secretary of Education. We look forward to a very close working relationship with you, and as I said to Secretary Reich a few minutes ago, I hope you will not interpret my hostility to the economic stimulus package in any personal way. It has solely to do with deficits.

Our Chairman, Mr. Secretary, enforces a very strong rule against funding unauthorized programs in our appropriation bills. Which of the programs in this request are not authorized?

Secretary **Riley**. Well, most of these programs are authorized. The Pell Grant program, of course, was authorized and overspent. The Chapter 1 program is authorized, and the 1990 Census caused the shift. The summer program was not authorized and that is the main one.

Mr. **Porter**. The Chairman also doesn't allow including authorizing language in the appropriation bills. It seems to me you are going to need some authorizing language also in regard to the Chapter 1 program, aren't you?

Secretary **Riley**. It is my understanding that we feel that the language is adequate to cover that.

Ms. **Christensen**. Mr. Porter, I would add that Chapter 1, the basic program, is, of course, authorized.

Mr. **Porter**. The basic program is authorized?

Ms. **Christensen**. The Chapter 1 program is authorized. There is point of order language that would amend the basic law in order to get the funds out quickly and to provide the stimulus——

Mr. **Porter**. You need authorizing language? And our bill would need a waiver from the Rules Committee to allow us to do that presumably, or we would be subject to a point of order?

Ms. **Christensen**. I assume so, but as I say, those are necessary to get the funds out as quickly as possible and to provide the flexibility to set up good summer programs.

PRESIDENT'S ECONOMIC STIMULUS PLAN

Mr. **Porter**. The President's economic plan on page 27, which is entitled, "A Vision for Change in America," says that all programs included in the stimulus package must meet two criteria: First, that all programs must act quickly to create jobs this summer, in fact. Second, that all programs must be meritorious, they must be a down payment on the administration's long-run investment program.

I want to look first at the first criteria. Secretary Alexander already provided a complete hold harmless with regard to the Census data in Chapter 1 for the 1992–1993 school year, so nothing in this request will affect the current school year; am I correct?

Secretary **Riley**. That is correct.

CENSUS ADJUSTMENT SUPPLEMENTAL

Mr. **Porter**. In fact, you only plan to outlay $28,000,000 of the $235,000,000 in fiscal year 1993 in any case. The bulk of it will come in fiscal year 1994, presumably during the 1993–1994 school year, so that no jobs are going to be affected by this until at least next September; isn't that correct?

Secretary **Riley**. Well, of course LEAs will have to put out teacher contracts immediately.

Ms. **Christensen**. That is basically true for this portion of the supplemental. But I think the important point is that the LEAs affected are in the high unemployment areas, which is why the timing is key. It was necessary to avoid elimination of—or the loss of 6,000 jobs in those areas, many of which are in the highest unemployment States and cities.

Mr. **Porter**. But it really isn't going to help us, Sally, until later on, not immediately. Next fall at the earliest.

Ms. **Christensen**. Next school year.

Mr. **Porter**. Next fall at the earliest, so it is not going to meet the summer criteria. Beyond that, you plan to outlay $42,000,000 of it in fiscal year 1995, and $5,000,000 in fiscal year 1996. So I am asking, I guess, how do you reconcile that with the budget emergency that we have here and adding this money to the deficit if you are not really responding to a current economic crisis or really stimulating in any immediate way?

Secretary **Riley**. It is my thinking, Mr. Porter, that the contracts for teachers for the next year will have to be dealt with very soon and this has to be part of that planning process. So we really are dealing with making decisions this spring—very soon—regarding those contracts.

Mr. PORTER. This is not creating new jobs, though, this is retaining existing jobs.

Secretary RILEY. That is exactly right.

Mr. PORTER. I want to address the issue of merit and the second criteria of the President related to long-term investment. The funding you are requesting for the Census adjustment, it seems to me, doesn't have any merit in that regard. It seems to me it is a political response to States that have lost population and no longer have the numbers of economically disadvantaged children to educate but want to continue receiving the funding from the Federal Government.

These are the areas that were already given a full year grace period by Secretary Alexander, your predecessor, in making the transition from the 1980 Census data to the 1990 Census data. How do you respond to the criticism that this is really doing nothing of merit but simply pushing funding into an area that may need the money but really has no relationship to the merit of programs?

Secretary RILEY. Well, first of all, the numbers of students is not necessarily lost. It is lower, relatively speaking, in the Eastern States and the formula then has taken effect. These areas, of course, happen to be in some of the most needy areas in the country in terms of dealing with unemployment, in dealing with the problems that we are all concerned about.

This $235,000,000 is less than half the amount needed to get back to 100 percent hold harmless. So we are talking about really reaching a 92 percent hold harmless level and then presuming the next year's hold harmless level would fall to 85 percent. We think it is a very sound and responsible move to keep from disrupting those very critical areas of high unemployment that are very traumatically impacting on the current conditions.

Mr. PORTER. I would suggest to you, Mr. Secretary, it is merely prolonging an adjustment that ultimately is going to have to come unless you are going to do this year after year after year, using old data to stimulate a program in a place where it is no longer justified.

Secretary RILEY. Well, the argument to that is that if there are any areas in the country where it would be unwise to reduce school funds, it would probably be these very areas we are talking about. What we are talking about here is reducing the sudden, traumatic impact on them, and that, we think, has a great deal to do with economic stimulus by keeping the balance in those areas.

Mr. PORTER. It is a method of getting funding using a rationale to get funding into an area that needs it.

Secretary RILEY. It is a rationale to keep a portion of the funding in an area that now receives it, and I would point out that in 1980, Congressman, a similar hold harmless provision was passed by the Congress to take care of the Census transition.

Mr. PORTER. We did it this time also. Secretary Alexander did that. We are doing it again for another year.

Secretary RILEY. He passed it over for one year.

AUTHORIZING LANGUAGE FOR THE SUMMER PROGRAM

Mr. PORTER. Mr. Secretary, I understand that we are going to need authorizing language to expand the purposes for which the summer Chapter 1 funds may be used. These new purposes would be including food service, health services and arts education.

Why arts education? Why is that a national budgetary emergency?

Secretary RILEY. Well, that is a very important part, Congressman, in my judgment, of what a helpful summer program could be in a high-risk area for the children of this country. If you take a summer program, certainly a great many of these children could be reached through arts programs, and I think it makes very good sense for a summer stimulus program for that to be included.

STIMULUS EFFECT OF PELL SHORTFALL FUNDING

Mr. PORTER. Mr. Secretary, finally, on Pell Grants, the $2,000,000,000 won't create any new jobs; will it?

Secretary RILEY. The $2,000,000,000 is a very responsible move to keep from, again, causing what could be a rather traumatic impact on young people planning to go to college, and those in college, and also on the colleges themselves. It is simply a debt that is out there, and in my judgment, a debt that is out there and that hasn't been paid is an emergency.

Mr. PORTER. What would happen to Pell Grants if we didn't provide the money?

Secretary RILEY. If you didn't provide the money and you did what I would prefer to do and get on a pay-as-you-go basis, which is the way the program should be run, you would have to reduce Pell Grant funding for the upcoming academic year by some $653,000,000. If you do that, you are going to have to reduce the maximum grant from $2,300, which, as you know, is very low in relation to the cost of college, or have more stringent eligibility requirements, either of which could be very traumatic and destabilizing.

PELL GRANT SHORTFALL

Mr. PORTER. The program has substantial borrowing authority; does it not, to meet unexpected demand?

Secretary RILEY. Sally.

Ms. CHRISTENSEN. Yes, that is true, Mr. Porter.

Mr. PORTER. So why is it necessary to add this amount to the deficit? This is the bottom line on all these questions.

Why is it necessary to add this money to the deficit now in order to bring Pell Grants up to their full funding level?

Why isn't this appropriate when we look at the broader context of the entire budget and see our priorities and pay for what we are getting or at least attempt to?

Mr. SKELLY. Mr. Porter, I might make two points here. One reason you want to pay the shortfall off now is because if you don't pay it off this year, you are going to have to deal with it next year and in future years. It is going to squeeze other programs you do want to make an investment in.

Secondly, you ask about increasing the deficit. This is an instance, somewhat unusual, in that the additional Pell Grant budget authority is not going to increase the outlays of the Department of Education or the Federal Government and, thus, not increase the deficit. The outlays have already been accounted for.

Mr. PORTER. Because we are already doing it under the borrowing program?

Mr. SKELLY. We have borrowed from budget authority in the past, but if you do not provide this additional budget authority now, we will have to take a $2,000,000,000 reduction in next year's Pell Grant program.

Mr. PORTER. So it won't really be stimulative at all; we have already done the stimulation with the previous borrowing.

Mr. SKELLY. Or it could have the reverse effect next year in that you would have to cut $2,000,000,000 out of a $6,000,000,000 program, if that is how you wanted to do it, and you could cut out as many as 1,500,000 Pell Grant recipients who wouldn't be able to go to college next year or in future years.

Those students are trying to make their decisions about which schools they are going to attend and how they, along with their families, are going to finance their college costs—now is the time they need to know in order to plan effectively.

The basic law authorizing the program has something called a "master calendar" in it. The calendar says that in order to help students who are the beneficiaries of this program to figure out how much aid they are going to get, you have to put out a payment schedule by February 1st.

We are past February 1st and we have yet to issue the payment schedule. Because Secretary Riley is willing to ask for this budget authority, we can then go ahead and issue the payment schedule, reassuring those students and their families who are going to go to school next fall, that Pell Grants will be available.

ESTABLISHING SPENDING PRIORITIES

Mr. PORTER. Again, the program is a good program. The method we are approaching this with of simply adding it to the deficit, which we are going to have to pay for and is another high priority of this administration, it seems to me is not necessarily a wise way to approach it.

I like what the Secretary said a minute ago, Mr. Secretary, you said about meeting obligations. One of the obligations we are not meeting and we just are passing it over and saying, okay, take care of it States and localities, is Impact Aid.

If there is a claim on the Federal budget, I think that is one of the highest claims, yet it simply is not part of this supplemental, it is not part of apparently the new budget coming out at any new high priority. It seems we have got other competing demands. We ought to look at these things in terms of the whole budget and our willingness to pay for what we get.

Ms. CHRISTENSEN. Another way to look at it, if you are talking about impact aid or other budget priorities for the next year, part of the rationale for the stimulus package is to pave the way for investments in the future starting in 1994, and by eliminating that

$2,000,000,000 now, we will have more resources next year for other kinds of education programs that truly are investments.

Mr. PORTER. That may have been a rationale we followed for a long time now, Sally. We have $4,000,000,000,000 worth of debt, and we have got our economy at a standstill. In my mind, none of this is really going to help us very much, and it is just going to add to the problem of our deficit, which is already at $330,000,000,000, and when we are all through, we won't have created any jobs we didn't create before or done anything we couldn't have done before if we had the courage to face up to it right now and get on with it. That is my message today. Thank you.

Thank you, Mr. Secretary.

Mr. NATCHER. Mr. Smith, I yield to you.

AUTHORIZING LANGUAGE PROVISIONS

Mr. SMITH. Mr. Secretary, I just have two or three little questions.

One, you do have a provision in here that requires you get the money out as fast as possible. I want to say that is something that has overwhelming support. If we are going to have a stimulus bill, it doesn't do any good for the money to come out a year from now or two years from now. In the hearings I had this morning with Secretary Brown, everyone expressed that opinion, and so I do.

In addition, you have these two pages of authorizing legislation that was mentioned before, and my only question about that is, will that legislation be in the 1994 law or is this the last time?

Ms. CHRISTENSEN. No, Mr. Smith. This would be the last time. These are one-time items in order to get the dollars out as quickly as possible—so that the programs can start this summer—and to provide the needed flexibility so that we can set up the best possible programs for the children.

Mr. SMITH. Then the change in formula will not be requested in the 1994 bill either?

Ms. CHRISTENSEN. Correct.

ADDITIONAL FUNDING FOR PERKINS LOANS

Mr. SMITH. The other question I have has to do with NDSL or Perkins loans. I have talked to several financial aid officers at colleges. They all tell me this is what they really need.

They are short of direct-loan money. They give students everything they can find in their portfolio and they still need for more direct-loan money.

You have all the money in here for Pell Grants but nothing for that; have you addressed that question?

Ms. CHRISTENSEN. Mr. Smith, that will be one of the items that we will be addressing in our 1994 budget. The President has announced that we will be proposing that schools be given the flexibility to transfer money among the current campus-based programs.

Mr. SMITH. The 1994 bill though won't help us in the school year starting September 1; will it?

Ms. CHRISTENSEN. That is correct.

Mr. **Smith**. To help them, money for direct-loans needs to be in this bill; doesn't it?

Ms. **Christensen**. If they wanted additional direct-loan dollars, it would have to be in this bill.

Mr. **Smith**. Would you address this problem?

Mr. **Skelly**. Mr. Smith, Direct loans are a major focus of the 1994 budget. In fact, last week, the President announced plans to convert the current Guaranteed Student Loan Program into a direct loan program by 1997, and certainly that would help some of the institutions you are talking about who would be able to participate in that program and give out the aid.

Mr. **Smith**. We are talking about a stimulus package now and the school year starting September 1. We are going to have more money for Pell Grants, but not enough for direct loans?

ECONOMIC STIMULUS PRIORITIES

Ms. **Christensen**. The priority in this stimulus package for education was preschool, elementary and secondary education children, because we already had the $2,000,000,000 for Pell Grants. So it was a balancing of the priorities in those areas.

Mr. **Smith**. Direct-loans are not really part of the stimulus package; is that what you are saying?

Secretary **Riley**. What we are saying, Congressman, is that there were several things that we considered. The speed is an important part of it, and I think I have addressed that. The linkage with good education policy decisions was another, and the Pell Grant deficit, which is an existing cancer that we think needs to be and can be cured, impacts those same students that you are talking about in terms of direct aid on these other campus-based programs. We looked at all of that.

DIRECT LOANS VS. GUARANTEED LOANS

We have looked at it carefully, and we are continuing to look at the direct-loan issue as opposed to the guaranteed loans. Other issues that are going to come up involving national service are also going to effect these issues and programs. We decided that the supplemental was not the place to address those issues, which are more related to long-term investment. We had some major decisions to make, and we felt that if we could clear up the Pell Grant system, get it straight, and then go forward with these other programs next year.

Mr. **Smith**. I see. Well, I had a bill in for 30 years to have a big direct loan program repayable at the option of the student, 5 percent of net taxable income. At first there was opposition on the authorizing committee.

I think the last two or three years they have softened up on that issue. We are getting $600,000,000 a year back now. How much this year from NDSL loans?

Mr. **Skelly**. About $800,000,000 this year.

Mr. **Smith**. If we had had loan programs all these years, of any size at all, we would have been getting back $2,000,000,000 or $3,000,000,000 a year now to be used the second, the third and the fourth time.

So I do want to compliment you on working in this direction. I hope that you stay on this, because for the last 30 years, there has been one excuse or another why you can't go this route, and that is what has gotten us into this problem.

We never had enough for Pell Grants. We are never going to have enough for Pell Grants so that the poorest kids can get all the money they need to go to school. They are going to have to have direct loans primarily, and it isn't their parents that pay the money back; it is them that pay the money back.

So the important thing is that they be able to have a schedule under which they can pay the money back. It was 5 percent of their net taxable income, if they have no income, they don't owe anything. And the new statistics, I understand, show that those that graduate from college now have a lot more—used to be 17 percent more income than those that don't. But the new statistics are way above 50 percent, aren't they?

Secretary **Riley**. Yes.

Mr. **Smith**. So using 10 percent of the extra money they get to pay back a loan is not a big deal?

Secretary **Riley**. It is not. And as you pointed out, that is a growing percentage, by the way. This college benefit, in terms of earnings, is an expanding difference, and this income contingent repayment method, which you have proposed for years, is certainly one of the approaches that we will be looking at carefully.

Mr. **Smith**. Real good.

Mr. **Natcher**. Mrs. Bentley, I yield to you.

TIME SPENT IN CHAPTER 1 PROGRAMS

Mrs. **Bentley**. Thank you, Mr. Chairman.

Mr. Secretary, welcome.

Mr. Secretary, do you have any idea how much time in each school day is required under the Chapter 1 programs to be devoted to the actual training to the youngsters"?

Ms. **Christensen**. Mrs. Bentley, the study that just came out today—in fact, it was just transmitted to the Hill—reported on the national assessment that has been going on for the past 2½ years. It basically says that about 70 percent of the children in Chapter 1 projects are pulled out of the classroom during the day for a half hour. By the time they are transported to another location and then back to the classroom, it turns out to be about 10 minutes of instructional time that is provided to those children each day. That is obviously a problem, and it is one of the things we will be looking into during the reauthorization of the program.

Mrs. **Bentley**. I thought I heard someone cite a figure of 10 or 15 minutes. That doesn't seem to be enough with all the money that is going into Chapter 1.

Ms. **Christensen**. There is basically no statutory amount of time in the law itself. It is up to the States, or the local schools, or the schools themselves to decide how best to serve the children.

Secretary **Riley**. That amount is about what is actually provided, but there is no requirement specified.

Mrs. **Bentley**. I hope this is something you will look into. It seems to me, 10 minutes or 15 minutes a day is not going to give them that much, although it is better than nothing.

Secretary **Riley**. Certainly, Mrs. Bentley, more time is one big difference that we will have in the summer program, but it also will be an issue in the reauthorization work that will be taking place this year and perhaps next year. Certainly those are among the issues in Chapter 1 we would be very carefully going into with you all.

Mrs. **Bentley**. I have been hearing from some of the teachers who are visiting the Chapter 1 schools and they have been telling me that some of the Chapter 1 funds are not even being used for what they are supposed to be used for. I think this is something that we need to look into very definitely and see how we can get more bang for the buck.

Secretary **Riley**. Thank you, ma'am, and we surely will be doing that. I would invite you to take a good look at our study, I think it would reflect some of those same concerns.

MARYLAND FAMILY SUPPORT CENTER

Mrs. **Bentley**. In the administration's investment package, $1,045,000,000 in new spending is included for parenting and family support type programs. I am not sure that big an increase is needed, but I just wanted to ask you whether you are familiar with a family support center that we have in my district. It is a public-private partnership administered jointly by the Maryland Social Services Administration, several participating foundations and a nonprofit corporation.

It is designed to help single mothers or single mothers-to-be to learn about the responsibilities of parenting while at the same time trying to keep them in the system in school and preparing for employment. There are several sites around the State, but this particular one is run out of a high school, and provides day care, et cetera, in order to keep the young mothers in school.

If you have not heard of the program, I would urge that you have some of your staff look into it and see if this is the type of program that you may want to replicate.

Secretary **Riley**. Well, it certainly sounds like the kind of thing that I would be very interested in. Perhaps that particular subject might be more under HHS, but in the high schools it certainly is education-related, and we are very interested in working closely with HHS on those programs that affect both agencies.

Mrs. **Bentley**. It is for training youngsters to upgrade themselves so that they will be prepared for employment. Thank you.

Secretary **Riley**. Thank you.

Mr. **Smith** [presiding]. Mr. Hoyer.

WELCOMING REMARKS

Mr. **Hoyer**. Thank you. First of all, Mr. Secretary, I welcome you, and let me say how very pleased I am at the President's selection for the Secretary of Education.

Secretary **Riley**. Thank you, sir.

Mr. Hoyer. As we have discussed, education is a subject of great interest to me. I think the country is going to be well served, the children of this country are going to be well served, and the marketplace is going to be well served by your education reform efforts. Our ability to compete is going to be well served by your service. I could not be more pleased with your work to reform South Carolina's education system. As one of the lead spokesmen on behalf of education reform in this country, you have already provided great leadership, and I look forward to working closely with you.

Secretary Riley. Thank you very much.

Mr. Hoyer. I think that we need to bring some innovative and politically sensitive thinking to bear or the problems we face in education. Secretary Bennett did raise the nation's attention level on education reform, but he also raised the confrontation level greatly, therefore although the issues took center stage the prospects for creating consensus were dim. I think you could do both, and I think you will do both.

OBSERVATIONS ON CHAPTER 1 PROGRAMS

My colleague from Baltimore County has left. Let me make an observation about Chapter 1. Mrs. Bentley mentioned that a 10 minute pull-out program may be better than nothing. I am not sure it is better than nothing because it gives the illusion that we are doing something that really helps disadvantaged youth.

Essentially, the reality is that a 10-minute pull-out program doesn't have much impact. In effect, Chapter 1 is a sort of revenue-sharing program. We have got a lot of dollars in Chapter 1, a lot of dollars in Head Start. I am enthusiastic about your summer program, but thinking ahead I think we need to examine how we can best consolidate funds and give localities the flexibility to apply those funds within broad parameters. We should encourage accountability and results based on outcomes not process. Obviously Chapter 1 funds aren't fungible, therefore you can't teach non-Chapter 1 students with a Chapter 1 aide or something like that. That isn't what our schools need.

In any event, those are observations.

Secretary Riley. Congressman, your observations are not only accurate, but they are very pertinent. There is going to be some very interesting discussion this year with the reauthorization, and the very subject that you are touching on, I think, will be at the heart of that discussion. I think we can do a great deal of good for this country by using the same funds better, not talking about more funds. We could, of course, use a lot more money, but even taking current funds and using more flexibility and using some real careful decisionmaking would make them a lot more valuable for the students that they are intended to serve so I thoroughly agree with you. I look forward to getting on with that.

IMPACT OF PELL GRANT REDUCTIONS ON UNEMPLOYMENT

Mr. Hoyer. Good. Mr. Secretary, let me also make an observation on another topic, I presume that a large proportion of the Pell grant students who would not be served if we did not make up the shortfall in this program would go into the labor market. I presume if they went into the job market right now in this fairly tepid recovery many would wind up on the unemployment rolls.

Secretary RILEY. Well, that is an interesting observation. I think, Congressman, that certainly one of the reasons that the Pell Grant use has gone up is the high unemployment. I think that it is clear that more young people decide to go to college when they can't get a job. Getting this program in balance is going to help all young people, and certainly failing to do so could have the reverse effect.

Mr. HOYER. As you pointed out, there is a planning process that goes on for the students and their families. They have to know what kind of tuition assistance they can count on. This provides that time frame within which to plan.

Secretary RILEY. Absolutely.

Mr. HOYER. Although we would both agree that making up the current Pell Grant funding shortfall is not an immediate stimulus to the economy, it does have a definite impact on the economy and the workforce.

Let me ask you a few specific questions briefly. Is the distribution of summer Chapter 1 money going to follow the same formula as the regular Chapter 1 money?

CHAPTER 1 SUMMER PROGRAM ALLOCATION FORMULA

Secretary RILEY. No, it is not. It is going to be in the concentration grant formula which will be concentrated in those highest need areas. I think some, after the spread in the general formula—10 percent over that—goes into the concentrated poverty areas. This will put 100 percent into those areas. It is the best way to spend that money, and that is how it will have its best effect in terms of stimulus.

IMPACT ON RURAL AND URBAN AREAS

Mr. HOYER. I am sure that is the case. Have you looked at the impact on rural versus urban areas under the revised formula?

Ms. CHRISTENSEN. Mr. Hoyer, we could provide a detailed break out of that, but it would follow our same formula that will hit the high concentration rural areas the same as it will hit the urban areas. But we can provide a detailed break out.

Secretary RILEY. It does apply in the rural areas that have a high poverty concentration also.

CONSTRUCTION AND REPAIR

Mr. HOYER. Construction and repair of Chapter 1 school facilities are not funded in the stimulus package.

Ms. CHRISTENSEN. Correct.

Secretary RILEY. That is right.

Mr. HOYER. Was there any thought given to the need for and job creating effect of such funding?

Secretary RILEY. That was certainly discussed. All of those areas were looked at. I think the general feeling of OMB, Congressman, was that there were other programs in the transportation area and housing and so forth, that in terms of stimulus could be better prepared to move those right into the market. The fact is that, after analysis of all of the possible stimuli, it was decided that this summer Chapter 1 program was certainly one of the most significant ways that we in education could impact on the most needed areas in terms of an economic stimulus.

Ms. CHRISTENSEN. It is also true, Mr. Hoyer, that the dollars for construction would go out a lot more slowly than this would. Chapter 1 is a very labor-intensive program, and it is already set up to hire teachers and teacher aides and other personnel.

Mr. HOYER. Is that 80,000?

Ms. CHRISTENSEN. Eighty-three thousand teachers and other personnel.

SUMMER STIMULUS VS. PILOT PROGRAM

Mr. HOYER. Which leads me to my next question. I think the summer Chapter 1 is a very needed program. I think it is the same phenomenon with Head Start. Students forget what they learned during the school year over the three summer months, and they're back to zero. Are you looking at that as a pilot program, not just as a possible summer stimulus?

Secretary RILEY. We are looking at it really as a stimulus, but a stimulus which makes 100 percent good sense in terms of good education, where the most need is, and the young people who, this summer in this particular economic time, can best be served in this way. Now, any program that is out there, that works well could always provide information that would be helpful in the future, but this is really not perceived as a pilot program.

Mr. HOYER. But the message, though, is if it works, we are certainly going to consider it?

Secretary RILEY. Yes. Congressman, one of the things our Department is going to provide for the various school districts and the counties that are part of this and that have these high poverty areas and will get these funds will be coming from our research. We want the very best models that can be used, and will we will be following very closely the success of those, so that information certainly will be available and used by others.

TEACHER TRAINING IN EDUCATION AND LABOR SUMMER PROGRAMS

Mr. HOYER. Mr. Secretary, my last question, have you and Secretary Reich discussed the possibility of a teacher training component both in Chapter 1 and in the Academic Enrichment component of the summer jobs program?

Secretary RILEY. I don't think we have discussed teacher training in relation to those two programs. He and I have had numerous discussions, and all of the programs that are related to labor and education. We stay in very close contact. Our staffs meet together daily and discuss all of these various programs.

Mr. HOYER. What I had in mind, just to put it in context, is that there are some special challenges and special opportunities in both of these cases. We know as a fact that if we train our teachers better, they do a lot better job in the classroom for our kids. I am not suggesting that we consider it for this stimulus program, but we may want to look at that in the future.

Ms. CHRISTENSEN. I think that is one of the things that the recent Chapter 1 assessment has shown, too, that there is a real need for staff development. That will be another one of the things we will be looking at in reauthorization.

Mr. HOYER. Thank you, Mr. Smith, I appreciate the time. Again, Mr. Secretary, I am tickled pink you are here. I look forward to working with you.

Mr. SMITH. The gentleman from Texas.

DISPARITY IN CHAPTER 1 FUNDING

Mr. BONILLA. Thank you very much. My first question, relates to the Chapter 1 grants to local education agencies, and the great disparity between some Southern States. I am from Texas, and my concern is specifically about Texas in what they receive versus some other States in the Northeast like New York. There seems to be some discrepancy in noting that New York's allocation amount will be about $73,000,000 greater than Texas', despite the fact that Texas has 160,000 more poor children, and the number is growing all the time, with people coming across the border and the increased immigration, whether it be legal or illegal. What can be done to correct this disparity?

FORMULA FUNDING SHIFTS

Ms. CHRISTENSEN. Well, the formula provides allocations on the basis of the number of poor children. It is true that the Western States have picked up relatively more over the past ten years, but there are still substantial numbers of poor children in the New York schools; it is not that those children are just shifting and moving. It is just that proportionately the Western States are picking up more than in the Eastern States, so the formula will take that into account along with the per pupil fact or, the cost of State per pupil expenditures. So I think that has to be considered.

UPDATING DECENNIAL CENSUS DATA

Mr. BONILLA. In order to keep the disparity from getting too large before the next census is taken, what about the possibilities of doing this on an annual basis based on the shifts in population.

Secretary RILEY. We are discussing with the Census Bureau people the possibility of maybe getting a biennial update on census numbers. We are not at all settled on the advisability of this or whether it can be done, but we are looking into it for the very reasons you say. There are a number of ways that we are going to try to prevent the Pell grant system, for example, getting out of focus again. Also, waiting ten years for the Chapter 1 formula to change means ten years out of focus. So for a number of reasons and a number these programs we want to try to have more accurate information. We are definitely going to work on the possibility of having a two-year update of census numbers.

OTHER FORMULA CHANGES

Ms. CHRISTENSEN. Mr. Bonilla, it is also true that during the reauthorization process the formula for Chapter 1 is always a lively subject of debate, so that will come up at that time, too, just looking at the basic formula itself in addition to what the Secretary is talking about, on the current formula.

HIRING TEACHERS THIS SUMMER

Mr. BONILLA. Another question I have relates to Head Start, which is an excellent program, but specifically to this summer and having 50,000 new teachers teaching this program in a very short period of time. How are we going to find all these people to process and fill these positions when it is just around the corner?

Secretary RILEY. Are you talking about Chapter 1 or Head Start?

Mr. BONILLA. Just Head Start.

Secretary RILEY. Head Start is not our program, but again as far as we are concerned, the new teachers that will be needed for the summer program of Chapter 1, and I presume it is the same kind of thing in Head Start, but a different need type of teacher. We feel that that definitely will be possible if we can get the quick action on this stimulus package, and I am sure the people at HHS on Head Start have the same feeling. If that can be done quickly, we think that it can be solved easy enough. Do you have anything to add on that?

OTHER SUMMER STAFF

Ms. CHRISTENSEN. I would just add, in both our program, as we configured the summer program, and in Head Start, it is not just the teachers who are not working over the summer, but there would be a lot of people who could help in food services, health services, clerical work or teacher aides who would be available to hire immediately.

LEAD TIME NECESSARY

Mr. BONILLA. That is what I meant more than the summer programs, but just in administering these programs. If you are out talking to folks who run school districts and local government agencies, it would be a tremendous undertaking just to process and find and implement a program that quickly. I wonder if consideration has been given to that?

Secretary RILEY. Yes. Well, they tell us, and my staff has made a number of telephone calls to key districts that would be impacted by the Chapter 1 funds, and they have informed us that, yes, that they can use their allocation. We give it to the State, the State gives it to LEAs with allocation of the funds by the end of March, they would have plenty of time to really put in a good program. Remember, there is a lot of unemployment out there and there are a lot of people available.

Ms. CHRISTENSEN. We have talked specifically to New York, Philadelphia, D.C., and Los Angeles, four of the largest areas. We have talked to the superintendent of schools in these large metropolitan areas, and they all feel they can use funds. In addition, we would require that States merely amend their existing plans as opposed to submitting new plans, which will save a considerable amount of paperwork and administrative overhead.

There are a variety of other provisions that we would put in the language that would avoid delaying things.

STIMULUS EFFECTS

Mr. Bonilla. The final question just relates to the philosophy of whether or not this is a stimulus versus a very important educational topic that we are talking about here. I guess in one case we talked about apples and oranges, one of which is these are programs that are important and bear a tremendous amount of discussion, but on the other hand how does this stimulate America's economy this year or even next year by implementing these programs as part of an American economic stimulus program? That is what I am kind of having a problem putting the two together because they are two very important but different subjects.

Secretary Riley. Well, these were very carefully thought out, Congressman. The 83,000 people who would be hired in this summer, and the 6,000 that would lose their jobs later which would be a negative impact on the economy. The jobs, as we all know, are really a critical need for the stimulus, and those programs especially would—very soon, right away this summer—cause a tremendous stimulus in terms of the job market.

Mr. Bonilla. What about in future years? Is this going to be necessary over and over and over again?

Secretary Riley. Well, the summer program would be a summer stimulus, no question about that. The Chapter I census adjustment would be a year-long stimulus. The Pell grant funds would be stabilizing a major college situation that would be short term and long term.

Mr. Bonilla. I appreciate your answer, but I am still having a problem with the philosphy. The Pell grants which are necessary, but is that an economic stimulus? I am still trying to digest that in my mind, I guess.

Secretary Riley. Well, it is both. We think it is a stimulus because it stabilizes a very negative situation now where you have these large numbers of young people planning to go to college and going to college with all kinds of economic impact affecting them, and then here we have a program that is $2 billion borrowing on the future of the program which throws it totally out of focus, and so we think it is a very stabilizing—has a very stabilizing impact on that whole segment of the economy. You can—it also just makes very good sense to do that, in my judgment, and in addition to stabilizing that sector in terms of higher education, it is very good budget practice, in my judgment.

Mr. Bonilla. Thank you.

Mr. Smith. Ms. Pelosi.

Ms. Pelosi. Thank you very much, Mr. Chairman. I want to join in welcoming the Secretary to our committee and our other witnesses. Ms. Christensen was here the other day. We had the opportunity to benefit from her thinking. Please know that I am glad that you are where you are, Mr. Secretary.

Secretary Riley. Thank you.

Ms. Pelosi. The Clinton plan gives us real hope and encouragement. I am glad you are here today. I have a couple questions for you. But before I do, I want to say how pleased I am that you are moving ahead quickly with the economic stimulus package. People without jobs are desperate and can't wait any longer. I am also pleased that perhaps I can help my colleagues see this plan from the perspective of a woman. We have in this stimulus package large amounts of money for rebuilding infrastructure of our country, and we have significant dollars in the package, as well, to rebuild the human infrastructure of our country. If we are just building bridges and roads, which are important to us, mostly we will be hiring men.

For educating children we will be hiring a great deal more women, so I think this has a benefit in more ways than one, and I agree with you, the plan is just good sense.

Secretary RILEY. That is a great point and one perhaps we wouldn't have thought of had we had a different make up of the committee.

Ms. PELOSI. We told Secretary Reich, a number of us, the high regard with which you are held by Members of Congress, and he said you would be working closely with you. I think the two of you working together will bring new meaning to the word "synergy" when it comes to preparing our children for the future and improving the prospects for our work force and developing life long learning skills.

CENSUS ADJUSTMENT AND CALIFORNIA

Now my question. I have a problem, Mr. Secretary, and I really hope you can help me with it, on the Chapter 1 formula. The poverty data on which the Chapter 1 formula is based, as you well know, is collected by the census only once every ten years. It becomes outdated quickly and does not allow for accurate targeting when it comes to areas of greatest need. I heard your answer to the question, to Mr. Bonilla's question in this regard.

In California, for example, the newly available 1990 census data show that the number of poor children in our State has grown 38 percent since 1980. These children, though uncounted in the Chapter 1 formula, have been in California's classrooms—and drawing on our resources for many of the past ten years. The 1990 poverty data will be factored in the Chapter 1 formula for the first time next year, fiscal year 1994. This is a great disservice to California, but it is because the census was behind in its work, I suppose, that the new data were not used this year.

The Chapter 1 census supplemental of $235,000,000 in this package is designed to substantially mitigate the effects of the new data on low growth States which will lose funds when the 1990 data are factored into the formula. I understand that. However, these major funding shifts occurred because of the ten-year interval between updates in the poverty data that I mentioned earlier and that you are well aware of. We in California hope that this could be corrected through measures taken to update the poverty data, perhaps annually or biennially as you mentioned in your remarks. But we have an immediate problem. These children didn't land on our door step September 1, 1993 or September 1, 1992, as a matter of fact. We have had a problem for a long time. But, if you are mitigating for loss of students, doesn't it seem like it would be a good idea—and logical—to also have something in the supplemental for States where the growth has occurred according to the Chapter 1 formula. Perhaps we could put say roughly the same amount of money in there for the growth States?

Secretary RILEY. Well, I think your question certainly reflects the interesting debate that we are going to have on the formula I am sure as we get on into the year. This request really did not attempt to deal with that issue, and I certainly recognize what you are saying as a real problem. The change, though, is kind of the trauma of people losing Chapter 1 funds right in the middle of this high unemployment period when we are trying to hold that situation and then enhance it with the stimulus. So really we did not deal with that problem. That is a problem, and I would recognize that.

I do hope that in the future that we can develop a process where we would not have a ten-year delay as I discussed. I think the funds should be where the children are. If you have poor children relatively speaking changing in number, then that is where the funds should be, and we should have a system that would respond to that as quickly as reasonable.

Ms. PELOSI. Does that mean we are not going to get anything for this past year?

Secretary RILEY. Well——

Ms. PELOSI. Or let me say it another way. With regard to the supplemental funding, which is what we have—we will have before us tomorrow afternoon probably, do you have any thoughts on how to help the growth States like California who have lost funding due to this 13-year-old data that we had to live under this year?

Secretary RILEY. Well, of course, California will get an enhanced amount this time, and so as I take office they will get response, and you are talking about the sins of the past, which were not my sins.

Ms. PELOSI. No. As I said earlier on, I understand that this year's problem was because the census was late.

Secretary RILEY. Oh, yes, and it is because the shift in children that numbers are changing, and it is a very real, obvious problem for you. The only thing I could say is, Congress deals with the money and what is to happen with it. I would say that it probably would be very difficult to justify something of that kind in terms of a stimulus as we have tried to identify this. However, anything we can do to make those numbers stay current we would certainly do, but in terms of what happened in the 1980s and in the first couple of years of this decade, that would be money paid for something that had already transpired.

Ms. PELOSI. Well, we are talking about the current school year, Mr. Secretary.

Secretary RILEY. This year. Well, that was carried forward a year, and you could make an argument that for this current year that it should have been carried forward. The formula should not have been carried forward a year.

Ms. PELOSI. Yes, that is true, but also since we are mitigating for loss of students, and with all due respect to those States, and I sympathize with the States which have lost population, they didn't lose them just yesterday. They have been losing them over time, as we have been gaining them over time. I want them to have the mitigation money. I am not arguing against that. I am just saying that if we are mitigating, let's mitigate. I appreciate your answer.

Did you want to add something?

Ms. CHRISTENSEN. May I add something? It is also true that this argues for the distribution that we have between the census supplemental and the summer supplemental because under the census supplemental, for instance, California picks up only $1,700,000, but under the summer supplemental, they would actually receive almost $63,000,000.

Ms. PELOSI. The summer is taken care of, I grant you that, the summer is taken care of.

Ms. CHRISTENSEN. It sort of helps to offset that.

Secretary RILEY. Some help.

Ms. PELOSI. Some help. It is a different subject, but—I appreciate that. Thank God that that this summer program is taken care of. This is less specific than what I was just asking you.

IMMIGRATION IMPACT ON CALIFORNIA

Can you suggest anything that could be done to assist California's educational system with the impact of the disproportionate pattern of immigration? There are those in our State who think that, well, since immigration is a Federal matter the Federal Government should be doing a lot more to address our educational needs in the State, but we are States, and that is how we are divided up, and we have our responsibilities that way. Just maybe not today——

Secretary RILEY. I certainly recognize the very serious nature of the immigration issue as it impacts education in California. I am very sensitive to that, and would certainly be interested in anything we could do from the Education Department standpoint to help with it. We do have certain interests in bilingual education and other aspects of our work that would deal with certain aspects of that.

Ms. CHRISTENSEN. We also have the Immigrant Education Program under which California gets a significant amount of support.

Ms. PELOSI. We are going to have to have a discussion also about California SLIAG funding. That is not for you right here right now, but I do want to say that immigration certainly creates needs, but, what you should know, and I know you visited California and hopefully you will soon again in your new capacity, is that these children are a source of so much invigoration to our economy and our society, and that California is doing a leadership job, I think, in the country in addressing the diversity. These kids are not all coming from England. They are coming from all over the world, speaking scores of different languages, and the respect for their differences and how they are dealt with is a real challenge that I think needs to be addressed at the Federal level.

On the other hand, the return on it will be tremendous in terms of what it does to refresh us as a society.

Secretary RILEY. One other response is that several of my very top staff people that will be coming with me are Californians who are very, very familiar with that situation, and that is one reason that I was very interested in pulling somebody in who had a very good knowledge of those changing circumstances.

Ms. PELOSI. I thank you, Mr. Secretary. Just don't write this down, in ink because hopefully you will have some more opportunity to talk about, not here today at this hearing, but to the administration about this 1992–1993 school year for our children.

Secretary RILEY. We would welcome that.

Ms. PELOSI. Thank you, Mr. Secretary. Good luck to you.

Mr. SMITH. I hope you take seriously what you said because these Iowans who moved to California are coming back now. Ms. Lowey.

Mrs. LOWEY. Thank you very much. I, too, want to welcome you, Mr. Secretary, and I look forward to working with you, and I know of your commitment to innovation, and I look forward to your visit to Westchester County. We are doing some very exciting things in both Westchester and in Queens County. My district is now expanded, and I hope that we can work together.

I do want to applaud your comments before in regard to the Pell grants. I was previously on education and labor, and some of us felt it is time to get real, frankly, and (raising the maximum Pell Grant to) $4,500, even making it an entitlement is dealing with reality. Although in light of the budget deficit, I know that can't be, but I appreciate your commitment and the administration's commitment to honest numbers, and to eliminating the Pell grant shortfall so that we can wipe the slate clean and look towards a real assessment of how much we need for the program.

If we are really talking about jobs and creating jobs and investment in the future and retraining our work force, I don't know how else we can do it better, so I certainly support this part of your initiative, and I appreciate your comments. With regard to the allocation of census adjustment funds, I am sorry that my colleague, Ms. Pelosi, left because I want to return to Ms. Christensen's comments before. It is not as if a State like New York has fewer youngsters in need, it is just that there are more youngsters and perhaps they are multiplying more in California, and that is the problem that we are really dealing with. We are not losing youngsters, so we have to adjust to this shortfall, which is a real problem. I certainly want to express my appreciation to you and the President for including supplemental funding to deal with this real funding loss which is having a severe impact on the planning in our school districts. In fact, some of us would have preferred sufficient funds to hold harmless States for 100 percent of the funding lost under the new calculations, but we certainly understand that these were difficult choices, considering the challenges ahead.

CENSUS ADJUSTMENT FOR NEW YORK

I do have a specific question, though. The budget justification indicates that the census adjustment funds are to be distributed to States based on the amount needed to bring counties up to 92 percent of the fiscal year 1992 allocations, and it appears, at least from our calculation, that the amount allocated to some States will not raise their overall funding level up to 92 percent of last year.

In fact, New York will receive about $42 million in the supplemental, which would raise its overall funding to 90 percent of last year. I am just wondering if it is your intention to have the States make these difficult decisions because they won't be able to bring every county or every region up to the 92 percent or if there is some guidance that the department will be planning to offer to the States to help them make these adjustments.

Secretary RILEY. Tom, do you have those numbers?

Mr. SKELLY. Mrs. Lowey, you make a good point. The numbers I am looking at in our justification would indicate you do even a little bit better than 92 percent, but we could go over those numbers.

Mrs. LOWEY. Maybe I will stop while I am behind, and if we had the wrong figures, I just won't pursue this.

Mr. SKELLY. Going from your 1992 allocation then to your 1993 allocation, if you include this census adjustment, you go down from $669 million to $623 million, so that is down about seven percent, so you still get 93 percent, 92, 93 percent, not 90.

Mrs. LOWEY. Well, then, let me just say that someone in the State office gave us the wrong numbers, and I do apologize. If you are correct, then I think we will stop this line of questioning right now.

Ms. CHRISTENSEN. If you are looking at just the amount to bring the counties up, within a State, up to 92 percent, that is what these dollars provide. Within counties, though, the State distributes the dollars to local school districts, and in doing that there may have been—in a few areas—cases where some local educational agencies are below 92 percent in some counties that actually county-wide come up to 92 percent, but we are providing that if that happens that the dollars be prorated.

At this point we don't know the extent because we don't have those allocations below the county level, but that may be what they are talking about, but I don't think—from what I know—I don't think it is a major problem.

Secretary RILEY. You might ask your staff to contact Mr. Skelly or Sally and get those numbers straight, make sure we are talking about the same numbers.

COORDINATION OF CHAPTER 1 SERVICES

Mrs. LOWEY. Okay. The other area that I am particularly interested in is coordination of services, providing comprehensive services, whether it be in the school, whether it be in another entity. In fact, we have legislation that I have sponsored and authored which addresses this, and I notice in your plan you do say that the funds can be used for educational activities already authorized, and you do include school health services, arts education, food services.

I wonder if you can elaborate on that. Is there any assistance or guidance that will be provided by the department to make this coordination more effective?

Secretary RILEY. That kind of assistance is available in models or other technical assistance and would be available. Sally, do you want to elaborate on that?

Ms. CHRISTENSEN. Yes, we will be going out through a variety of ways to local educational agencies to give them information. First of all, we will be coordinating with Head Start on how our programs will complement theirs so that we won't have any kind of avoidable duplications or problems there, but we will—for instance, be giving general guidance to local school districts on the expanded kinds of activities that they can provide here under these summer programs that they cannot under the usual year-round program.

We will be using, for instance, our national diffusion network. We will be using the Chapter 1 technical assistance centers. We will be using the regional laboratories under—our Office of Educational Research and Information—to get the best practices out and the best information on how they can coordinate with other community service agencies at the local level.

We will also be working with other agencies such as National Science Foundation, Smithsonian Institution, and various kinds of curriculum content organizations to help provide all those kinds of coordinated services.

ADMINISTRATIVE FUNDS

Mrs. LOWEY. Just as an aside, in talking to a group of advocates recently, they commented on the fact that a lot of travel funds have been cut back on several agencies, and I would assume it is the same at the Department of Education. In fact, they were referring to the fact that although many professional staff prefer to visit a program in San Francisco, maybe even rather than Iowa, this kind of oversight and this kind of guidance and assistance is really critical to making the programs work, so I wonder if you can address that for a moment.

Do you feel within the department that you do have the resources once these programs are funded to go out there and work with the people, to provide guidance, to provide oversight, to make sure these dollars are well spent?

Mr. SKELLY. Mrs. Lowey, administrative funds are often an item that Congress and the President likes to cut, and in the last 12 years, as we told the committee last week, we have had a growth in a number of programs, and our staff has actually gone down. One reason the staff has gone down is that we haven't had money, either to pay their salaries or for their travel.

We haven't done as good a job as we should have on either monitoring the programs we have had or in getting out into the field and providing technical assistance. It is difficult to make trade-offs in the budget and administrative funds are something that usually takes second priority to funding some of the programs, but if you want to do a good job on your programs and you want to improve education through leadership at the Federal level, you probably are going to want to consider providing adequate funds for our administration and that of other agencies.

Mrs. LOWEY. Well, given the pull in both directions, I would be interested in any follow-up information you have because having worked with these programs, it is really essential to get out there and make sure that everyone is doing the job or setting up some kind of a network, to be sure they are doing it on the State level or the county levels.

On the other hand, you are right, we do look at the administrative budgets first, so if you could follow up with some information, that would be helpful.

[CLERK'S NOTE.—The information discussed was not available for printing and will be supplied to the Committee at a later date.]

STAFF HIRED FOR EDUCATION AND JOB TRAINING

Mrs. LOWEY. Finally, I was very interested in your comments and the comments of Secretary Reich on the coordination that is taking place between education and training in the labor force. You also mentioned in your statement that young people employed under the Summer Youth Employment Program could work as student tutors at Chapter 1 funded schools. That raises the question of who is going to be employed under the Chapter 1 program?

What is the guidance that is given in hiring additional staff? Perhaps you could comment on that.

Ms. CHRISTENSEN. The guidance is that generally Chapter 1 programs hire teachers and teacher aides and other kinds of paraprofessionals to help the teachers provide the primarily mathematics and reading instruction, and tutorial services that are needed. In the summer programs they will be able to hire other kinds of aides such as health specialists, arts education teachers, health and food service people.

The idea here was that in Head Start, for instance, they provide specifically those kinds of services in their day care centers and their activities so that if a local educational agency, for instance, wanted to join forces and provide all of those services in one project. In fact, through the coordination efforts that the Secretary has been talking about, we are doing more coordination than we have ever done before. You can see that filtering down to the local level where they will actually be able to combine those kinds of services—so that is basically what we are talking about, the same kind of example that you gave for labor.

Secretary RILEY. It is an absolute fact, I think, in many ways that these work programs, working with education programs, work so much better for both. It really is interesting to see how these programs, if you have components of work and academics, the impact is much stronger.

Mrs. LOWEY. I just want to thank you very much, and I look forward to working with you on all the issues which we are going to deal with in this committee.

Thank you very much.

Mr. SMITH. Ms. DeLauro.

Ms. DELAURO. Thank you, Mr. Chairman. I, too, want to welcome you, Mr. Secretary. I don't know if you ever get welcomed out, but anyway——

Secretary RILEY. I never get enough.

Ms. DELAURO. I am really delighted to have the opportunity to work with you.

JOBS FOR CHAPTER 1 TEACHERS AND OTHERS

Let me just ask a couple questions, one has to do with the Chapter 1 funding and the $500 million request and your comment that it will employ about 83,000 teachers, and that is for the summer program. Do we expect that most of those who will work in the program have teaching jobs that they will go back to in the fall? Do we have any idea what this work force will look like?

Secretary **Riley**. I would think probably so. Of course, all of those will not be teachers, but the great majority of them would be, and I would think they would, yes.

Ms. **DeLauro**. Do we have any numbers on the equivalent full-year jobs that might be created——

Ms. **Christensen**. Yes, that is the 83,000 that we are talking about that would be working in the summer translates into 14,000 full-time equivalent. In fact, we had that worked out because OMB, in putting the whole stimulus package together, tried to come up with some kind of standard measurement to give you an overall idea of what it is. These convert out into 14,000. In fact, we can insert into the record the exact calculation of that for you.

[**Clerk's note**.—The information discussed was not available for printing and will be supplied to the Committee at a later date.]

FUNDS FOR TEACHER SALARIES

Ms. **DeLauro**. That is wonderful. Thank you. Do you also have any estimate of the proportion of Chapter 1 funds that go to pay for teacher salaries versus other kinds of educational costs and services?

Ms. **Christensen**. It is about 80 percent.

Ms. **DeLauro**. I think that is an important piece of what happened.

Secretary **Riley**. It is about 80 percent for teachers and teacher aides.

Ms. **DeLauro**. That is, 80 percent is for salaries?

Secretary **Riley**. Yes.

COORDINATION OF EDUCATION AND LABOR PROGRAMS

Ms. **DeLauro**. Okay. Let me also ask a question about the supplemental request, the summer program. Are these to be—I was glad to hear about the working together of the Department of Labor and yourselves in this effort, but are we talking about separate programs here or are we—or should we be talking about combining the resources or are we looking at two separate programs?

Secretary **Riley**. We are talking about separate programs. Of course, ours is under the Chapter 1 umbrella. The jobs program then covers different ages. While there is an overlap it goes on up to age 21.

Ms. **DeLauro**. Chapter 1 is just for elementary?

Ms. **Christensen**. It goes through 18 because it is also secondary education.

Secretary **Riley**. It goes all the way pre K through 12, but the jobs program goes beyond that and it really deals more with high school and late teens, and our program probably deals more with the younger children.

Ms. DeLauro. Can you just talk about how you anticipate or really assure that the work of the Department of Education will complement the Department of Labor summer program?

Secretary Riley. Well, you are talking about the summer programs or generally?

Ms. DeLauro. I was talking about the summer program. You have got $500,000,000 DOL has $300,000,000, and want to make sure we are working in conjunction here. How might that work?

Ms. Christensen. Well, basically, the kinds of examples we were talking about are where, for instance, you could have aides who are hired by the Labor Department that are teenage students who are being trained or being provided summer jobs. We could encourage Labor Department to encourage those local projects to support them as tutors for Chapter 1 projects, and they could help the teachers.

You could enlarge the Chapter 1 projects that way, for instance, if you had more help and maybe served more children, give them more intensified kinds of services. Another way would be with the Head Start Program. The same kinds of services could be brought in that they provide, and there again expand the Chapter 1 program, so those are just examples, but there are a variety of kinds of ways. As Secretary Riley indicated, we will be setting up a task force working with those other agencies to come up with a lot of creative ideas on how we can interact with them to provide not only educational services but various kinds of community services, whether it is health or food services or whatever it is.

Secretary Riley. But your question certainly brings it as more of an emphasis to me. I think that is a very good line of questioning, that we do need, and I will assure you we will do everything we can working with Labor to see that those combinations are worked in tandem, any way we possibly can.

Ms. DeLauro. I appreciate your saying that, Mr. Secretary, and I am supportive of these efforts—I live in New Haven and have some sense of what the difficulties have been in terms of disadvantaged kids and the opportunities that exist in the summer program. I also think that for the purposes of not repeating, if you will, the sins of the past, and looking to the future—and I think we have a wonderful opportunity here with the kinds of creative efforts that you are looking into and that Mr. Reich is looking into—that what we ought to do is to talk about and be fairly specific about how we can dovetail the activities of the Departments of Labor and of Education so that we really do not do things in vacuums, that we are working together.

I mean, we have done that in the past and we found our efforts to be failing and wanting, with the fallout really to the detriment of the people that we are trying to serve. I think we do have this wonderful opportunity to make some changes here and to try to think through this kind of programming and maximizing its benefits to the youngsters. I also believe that that kind of debate here on the Hill will allow us to move forward on some of these programs without reinventing the past, if you will.

Secretary Riley. That is so appropriate. We get on into these apprenticeship programs and the whole concept, we are meeting constantly on that. It is so important that you keep the education component there, and yet if you have that without the job component, you know, you end up with a frustration of a young life also, so it is so important that it be worked in on the other side. Of course, with Donna Shalala coming out with expanded Head Start and the other child health programs, and the nutrition programs from WIC and so forth, we have the same kind of needed overlap because they are related to education also.

Ms. DeLauro. Thank you very, very much, Mr. Secretary. I look forward to working with you.

FUNDS FOR SALARIES

Mr. Smith. I would just like to tie together these matters that Ms. Pelosi and Mrs. Lowey and Ms. DeLauro so appropriately explored with regard to the percentage of the money in the Summer Youth Program that goes to salaries, and the amount of money.

Did I hear you say that 80 percent is for salaries?

Secretary Riley. Yes, sir.

Mr. Smith. And that means, then, that the average person hired is going to get something a little less than $5,000?

Mr. Skelly. The average salary would be about $5,000 for teachers and aides.

Mr. Smith. That is no bonanza.

Ms. Christensen. That is right. For two months.

Mr. Smith. So it really is a jobs program. It is a jobs intensive program. A lot of these programs that we are appropriating money for we will get ten cents on the dollar in salaries out of them. This is really a jobs intensive program.

Secretary Riley. That is a very good point, Congressman. The whole nature of Chapter 1, as we said, is labor intensive, and that is why it does make very good sense in terms of stimulus.

Mr. Smith. And to really less than middle income people.

Secretary Riley. Yes.

CENSUS INFORMATION

Mr. Smith. One other thing that just comes to my mind. I have to chair the subcommittee that handles the census problems, and they are tremendous. We have a census form now that is so many pages that over 15 percent don't even answer it, so the census doesn't mean that much anyway.

If you don't know what the other 15 percent would have answered, you don't have a good census. The only way we can get a census back to where it really means something, I think, and have it in time to use it, we need about a postcard-size census delivered by the mail carrier and then we get it back over the weekend.

Until we have that, you are not going to be able to do what you want to do, are you? You want to update more than once every ten years.

Secretary Riley. We want to know where the people are, and, of course, the more you get into that, the more information you have to have to really know the ages and so forth, so I don't know how big a card it would be, but it sure would make good sense to have the basic information——

Mr. SMITH. Tell the number of persons and their age, that is all. That would do your job pretty well.

Secretary RILEY. As far as we are concerned.

Ms. CHRISTENSEN. We understand that other agencies are having the same kinds of problems, and they are also working with census, my understanding that others are working with census also to see what is possible as far as updating it every two years. I don't know what is involved in that.

Mr. SMITH. Then we would use scientific polls to flush it out.

Ms. PELOSI. Would the gentleman yield?

Mr. SMITH. Yes.

Ms. PELOSI. Mr. Chairman, if I may, I would think, though, that in the Department of Education they would have some advantage because there is a universe of people who register, they go to school, and when they see increases in that number, they have some indication. With some of the other social services, it is a little more amorphous in terms of hooking up with these folks.

Secretary RILEY. That is a good point.

Mr. SMITH. Well, I used to represent altogether about 50 school boards, and there are some pretty creative secretaries out there that can find children that seldom ever attend school. I don't know if I want to rely on those statistics.

Ms. PELOSI. Oh, we don't have those in California.

Mr. SMITH. Thank you very much.

[The Committee will be adjourned until 10 a.m. tomorrow.]

Justifications of Appropriation Estimates
for Committees on Appropriations

SUPPLEMENTALS
Fiscal Year 1993

DEPARTMENT OF EDUCATION

DEPARTMENT OF EDUCATION

Compensatory Education for the Disadvantaged

Fiscal Year 1993 Supplemental Request

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COMPENSATORY EDUCATION FOR THE DISADVANTAGED

For an additional amount for concentration grants under section 1006 of the Elementary and Secondary Education Act of 1965, $500,000,000, which shall become available upon enactment and shall remain available to local educational agencies through September 30, 1993:[1] *Provided*, That the number of children counted for section 1006(a) shall be the same as counted for 1993 section 1005 basic grants:[2] *Provided further*, That no State shall receive less than $250,000 of such funds:[3] *Provided further*, That such funds shall only be made available by State educational agencies to local educational agencies upon assurance that at least 80 per centum of such funds shall be liquidated by such agencies by September 30, 1993:[4] *Provided further*, That such funds shall be used for activities that benefit educationally deprived children as authorized under section 1011 and other related activities such as food services, school health services, arts education, and transportation, without regard to whether such activities are otherwise authorized under such section:[5] *Provided further*, That a State educational agency may reallocate any portion of such funds that are not able to be used by local educational agencies in the State to other such agencies on the basis of their relative needs, as determined by the State educational agency, without regard to section 1403(b)(2) of such Act:[6] *Provided further*, That such funds may be used only to supplement, and not to supplant, any other funds, including other funds made available under chapter 1 of title I of such Act or under any other Federal program:[7] *Provided further*, That such funds, and the activities carried out with such funds, shall not be subject to or considered in applying sections 1006(a)(1)(B)-(D), 1019, 1020, 1021, or 1432(b) of such Act or to section 412(b) of the General Education Provisions Act:[8] *Provided further*, That such funds shall not be treated as funds appropriated, allocated, or received under chapter 1 of title I of the Elementary and Secondary Education

Act of 1965 for the purpose of sections 1403, 1404, 1405, or 1432(b)(1) of such Act:[9] *Provided further*, That such funds shall not be taken into account for purposes of determining the allocation of funds for any fiscal year under any Federal program.[10]

For an additional amount for grants to the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico, to carry out subpart 1 of part A of chapter 1 of title I of the Elementary and Secondary Education Act of 1965, $234,805,000, which shall be allocated to such jurisdictions, notwithstanding any other provision of law, so that all counties that, under title III of Public Law 102-394, are allocated less than 92 per centum of the amount they were allocated under such subpart for fiscal year 1992 shall be allocated, under Public Law 102-394 plus this additional amount, 92 per centum of the amount such counties received under such subpart for fiscal year 1992:[11] *Provided*, That such allocations to States shall be ratably reduced if necessary:[12] *Provided further*, That each State shall distribute its portion of such funds to local educational agencies in the State so that all such agencies that, under title III of the Public Law 102-394, are receiving less than 92 per centum of the amount they received under such subpart for fiscal year 1992 shall receive, under Public Law 102-394 plus this additional amount, an amount not to exceed 92 per centum of such fiscal year 1992 amount, which percentage shall be ratably reduced as necessary:[13] *Provided further*, That such funds shall not be treated as funds appropriated, allocated, or received under chapter 1 of title I of the Elementary and Secondary Education Act of 1965 for the purposes of sections 1403, 1404, and 1405 of such Act:[14] *Provided further*, That such funds shall not be taken into account for purposes of determining the allocation of funds for any fiscal year under any Federal program.[15]

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes

Language Provision	Explanation
[1]For an additional amount for concentration grants under section 1006 of the Elementary and Secondary Education Act of 1965, $500,000,000, which shall become available upon enactment and shall remain available to local educational agencies through September 30, 1993:	This language specifies the amount of supplemental funds available through the Concentration Grants formula for the Chapter 1 summer supplemental and the period during which funds will be available for obligation by State educational agencies and local educational agencies. The language would ensure that funds are used for programs this summer.
[2]*Provided*, That the number of children counted for section 1006(a) shall be the same as counted for 1993 section 1005 basic grants:	This language overrides the requirement that Concentration Grants be distributed on the basis of prior-year data, thereby eliminating a situation in which the regular Concentration Grants funds and supplemental funds would be distributed on the basis of different decennial census counts. This is the same overriding language that the Congress included in the regular 1993 appropriations act.
[3]*Provided further*, That no State shall receive less than $250,000 of such funds:	This language provides for a minimum State allocation, which would ensure that summer projects are carried out in all the States.
[4]*Provided further*, That such funds shall only be made available by State educational agencies to local educational agencies upon assurance that at least 80 per centum of such funds shall be liquidated by such agencies by September 30, 1993:	This language specifies that at least 80 percent of supplemental funds must be liquidated by the date specified. This would make sure that most of the money goes immediately into the economy.

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes -- Continued

Language Provision	Explanation
[5]*Provided further*, That such funds shall be used for activities that benefit educationally deprived children as authorized under section 1011 and other related activities such as food services, school health services, arts education, and transportation, without regard to whether such activities are otherwise authorized under such section:	This language expands the purposes for which funds may be used beyond those ordinarily carried out under Chapter 1. In a summer school context, a broader range of educational and related services is appropriate.
[6]*Provided further*, That a State educational agency may reallocate any portion of such funds that are not able to be used by local educational agencies in the State to other such agencies on the basis of their relative needs, as determined by the State educational agency, without regard to section 1403(b)(2) of such Act:	This language provides a general authority permitting States to reallocate the supplemental funding, on the basis of need, in the event that any eligible local educational agencies cannot use their full allocations.
[7]*Provided further*, That such funds may be used only to supplement, and not to supplant, any other funds, including other funds made available under chapter 1 of title I of such Act or under any other Federal program:	This language expands current law to prohibit LEAs from using funds to supplant other funds from any Federal or non-Federal source. Without this provision, LEAs could use funds to supplant other Federal funds.

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes -- Continued

Language Provision	Explanation
[8]*Provided further*, That such funds, and the activities carried out with such funds, shall not be subject to or considered in applying sections 1006(a)(1)(B)-(D), 1019, 1020, 1021, or 1432(b) of such Act or to section 412(b) of the General Education Provisions Act;	This language overrides certain provisions of Subpart 2 and the General Education Provisions Act, including current requirements for formula minimums, the requirement for State and local evaluations of chapter 1 programs, and SEA and LEA responsibilities for school and student program improvement. The language also overrides provisions in current law, including the 12-month carryover period following the period during which funds are available, and statutory provisions allowing an SEA to grant a waiver of the 15 percent limitation on carryover funds in any fiscal year in which a supplemental appropriation becomes available. This language ensures that programs are carried out promptly and overrides provisions that are not needed for this one-time program.
[9]*Provided further*, That such funds shall not be treated as funds appropriated, allocated, or received under chapter 1 of title I of the Elementary and Secondary Education Act of 1965 for the purpose of sections 1403, 1404, 1405, or 1432(b)(1) of such Act;	This language clarifies that the supplemental funds will not be considered part of the appropriation against which State allocations for administration and program improvement, LEA hold-harmless, and LEA carryover limitations are calculated.
[10]*Provided further*, That such funds shall not be taken into account for purposes of determining the allocation of funds for any fiscal year under any Federal program.	This language clarifies that the supplemental appropriation will not be considered part of the Chapter 1 appropriation used in the calculation of allocations for other programs (such as Eisenhower Mathematics and Science Education and Drug-Free Schools and Communities).

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes -- Continued

Language Provision	Explanation
[11]For an additional amount for grants to the 50 States, the District of Columbia, and the Commonwealth of Puerto Rico, to carry out subpart 1 of part A of chapter 1 of title I of the Elementary and Secondary Education Act of 1965, $234,805,000, which shall be allocated to such jurisdictions, notwithstanding any other provision of law, so that all counties that, under title III of Public Law 102-394, are allocated less than 92 percentum of the amount they were allocated under such subpart for fiscal year 1992 shall be allocated, under Public Law 102-394 plus this additional amount, 92 percentum of the amount such counties received under such subpart for fiscal year 1992:	This language provides funds to States based on allocations to counties that, from the regular Chapter 1 allocation, are receiving less than 92 percent of their fiscal year 1992 allocation for Basic and Concentration Grants combined. The language specifies that each State's allocation will be determined based on the amount of funding necessary to increase county allocations to 92 percent. Funds would be used for regularly authorized activities.
[12]*Provided*, That such allocations to States shall be ratably reduced if necessary:	This language permits a ratable reduction if the supplemental appropriation is not sufficient to bring affected counties to the 92 percent level.

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes -- Continued

Language Provisions	Explanation
[13]*Provided further*, That each State shall distribute its portion of such funds to local educational agencies in the State so that all such agencies that, under title III of the Public Law 102-394, are receiving less than 92 per centum of the amount they received under such subpart for fiscal year 1992 shall receive, under Public Law 102-394 plus this additional amount, an amount not to exceed 92 per centum of such fiscal year 1992 amount, which percentage shall be ratably reduced as necessary:	This language specifies that States will distribute, without regard to county amounts, funds to local educational agencies that, from the regular Chapter 1 allocation, are receiving less than 92 percent of their fiscal year 1992 allocation for Basic and Concentration Grants combined, and that funds will be used to bring the total 1993 allocations of affected LEAs up to 92 percent. This language permits a ratable reduction if a State's funds are not sufficient to increase the allocations of all affected local educational agencies to the 92 percent level.
[14]*Provided further*, That such funds shall not be treated as funds appropriated, allocated, or received under chapter 1 of title I of the Elementary and Secondary Education Act of 1965 for the purposes of sections 1403, 1404, and 1405 of such Act:	This language clarifies that the supplemental funds will not be considered part of the appropriation against which State allocations for administration and program improvement, LEA hold-harmless, and LEA carryover limitations are calculated.

Compensatory Education for the Disadvantaged

Analysis of Language Provisions and Changes -- Continued

Language Provision	Explanation
[15]*Provided further*, That such funds shall not be taken into account for purposes of determining the allocation of funds for any fiscal year under any Federal program.	This language clarifies that the supplemental appropriation will not be considered part of the Chapter 1 appropriation against which allocations for other programs (such as Eisenhower Mathematics and Science Education and Drug-Free Schools and Communities) are calculated.

Compensatory Education for the Disadvantaged

Amounts Available for Obligation

Current authority:	
FY 1993 appropriation	$6,708,986,000
Proposed supplemental	734,805,000
Subtotal, adjusted appropriation	7,443,791,000
Unobligated balance, start of year	13,461,000
Total obligations	7,457,252,000

Budget Authority by Object

	1993		
	Appropriation	Proposed Supplemental	Revised Estimate
Consulting services	$7,964,000	---	$7,964,000
Other contractual services	14,857,000	---	14,857,000
Grants, subsidies, and contributions	6,686,165,000	$734,805,000	7,420,970,000
Total	6,708,986,000	734,805,000	7,443,791,000

Compensatory Education for the Disadvantaged

Summary of Changes

1993 Appropriation....................................	$6,708,986,000
1993 Revised estimate....................................	7,443,791,000
Net change....................................	+734,805,000

	1993 base	Change from base
Increases:		
Program:		
Increase to provide one-time awards to States for local school districts to support 1993 summer programs including education services to disadvantaged elementary and secondary school children............................	0	+500,000,000
Increase to provide one-time awards to States for local school districts whose FY 1993 Chapter 1 LEA grants allocations are decreased as a result of using 1990 census data to compute allocations...........................	0	+$234,805,000
Net change......................		+734,805,000

Compensatory Education for the Disadvantaged

	1993 Appropriation	1993 Proposed Supplemental
Chapter 1 summer programs..................	0	$500,000,000

Purpose and Method of Operation

The proposed one-time supplemental appropriation for Chapter 1 summer programs would provide support for local educational agencies (LEAs) in the 50 States, the District of Columbia, and Puerto Rico, to operate 1993 summer programs that enrich the education of disadvantaged children at the prekindergarten through high-school age levels. LEAs could create new programs or expand existing summer programs for disadvantaged children who would not otherwise have access to such programs. Funds could be used for educational activities already authorized under Chapter 1 law, as well as for arts education, food services, school health services, and transportation.

Funds would be distributed through the Chapter 1 concentration grant formula for use by school districts only during the remaining months of fiscal year 1993. As with Concentration Grants, these grants would be allocated to counties and LEAs with at least 6,500 children from low-income families or a child poverty rate of at least 15 percent. In cases where counties and LEAs qualify under the 15 percent poverty rate threshold, all children are counted for allocation purposes; in counties that meet only the 6,500-child threshold, only children above that number are counted.

Rationale for the Proposed Supplemental

The Chapter 1 summer programs supplemental appropriation would be part of the initial phase of the President's proposed economic program designed to stimulate immediate job growth, invest in economic growth over the long term, and reduce the Federal budget deficit. This one-time supplemental appropriation for Chapter 1 summer programs would only be available for a few months' time to ensure that funds are used as an economic stimulus. To achieve this aim, school districts must obligate 100 percent of funds of which 80 percent must be liquidated, by September 30. An estimated 14,000 education-related jobs would be generated by this proposal in FY 1993.

Compensatory Education for the Disadvantaged

Chapter 1 summer programs

Impact Data

	1993 Proposed Supplemental
Budget Authority	$500,000,000
Estimated average teacher salary, 1992-93	35,800
Estimated summer teacher salary, 1992-93	6,000
Estimated summer non-teacher salary	4,000
Percentage share of total spent on personnel	80%
Dollars spent on personnel	$400,000,000
Percentage share of total spent on non-personnel items	20%
Dollars spent on non-personnel expenses	$100,000,000

Compensatory Education for the Disadvantaged

	1993	
	Appropriation	Proposed Supplemental
Census adjustment.........................	0	$234,805,000

Purpose and Method of Operation

The proposed supplemental for a one-time Census adjustment would provide support for local school districts whose fiscal year 1993 Chapter 1 LEA Grants allocations are being decreased drastically as a result of using 1990 census data for the first time in Chapter 1 formula computations. Funds would be distributed to States based on the amount needed to bring counties up to about 92 percent of their FY 1992 combined Basic and Concentration Grants allocations. States would distribute these funds only to school districts that would otherwise receive less than 92 percent of their 1992 allocation.

The supplemental would not add to the base for computing other programs that use the Chapter 1 formula.

Rationale for the Proposed Supplemental

The proposed $234.8 million in supplemental funding will delay the effects of sizeable cuts in Chapter 1 funding that will affect some States and school districts when 1990 census data are used to compute FY 1993 Chapter 1 allocations. The funding will also enable LEAs to maintain, in the 1993-94 school year, up to 6,000 teaching positions.

Using new decennial census data in the Chapter 1 formulas will shift dollars away from all Eastern and some Midwestern States to the Western States. For instance, the six New England States -- as well as New York, New Jersey, North Carolina, and Virginia -- will lose between 13 and 18 percent of their 1992 funds. Some of the biggest cuts in allocations will hit States with among the highest unemployment rates in the country, including New York, Massachusetts, New Jersey, and Georgia. Also, some of the Nation's largest cities will be hit especially hard.

The supplemental would ease the transition to a smaller compensatory education program in districts that would otherwise have the size of their Chapter 1 grants substantially reduced when allocations are announced in mid-March, and buy these districts a year's time so that they can plan for a smaller program and decreased allocations.

Compensatory Education for the Disadvantaged

Census adjustment

Impact Data

	1993 Proposed Supplemental
Number of awards	51 (all States except Arizona, plus D.C., and Puerto Rico)
Average State award	$4,500,000
Smallest State award	$58,000
Largest State award	$41,000,000

Compensatory Education for the Disadvantaged

Chapter 1 Summer Programs [1]

State	Proposed Supplemental [2]
Alabama	$10,920,319
Alaska	356,489
Arizona	9,204,770
Arkansas	6,437,568
California	62,570,623
Colorado	4,009,018
Connecticut	2,333,336
Delaware	320,396
Florida	22,976,105
Georgia	13,460,917
Hawaii	1,024,226
Idaho	1,194,424
Illinois	23,700,534
Indiana	5,590,540
Iowa	1,827,062
Kansas	2,454,058
Kentucky	10,004,984
Louisiana	17,503,940
Maine	669,877
Maryland	4,472,074
Massachusetts	7,107,806
Michigan	21,596,907
Minnesota	4,034,082
Mississippi	11,296,806
Missouri	8,741,193
Montana	2,085,232
Nebraska	1,161,418
Nevada	715,538
New Hampshire	250,000
New Jersey	8,236,881
New Mexico	5,456,289
New York	47,649,582
North Carolina	7,349,933
North Dakota	833,355
Ohio	21,774,927

Compensatory Education for the Disadvantaged

Chapter 1 Summer Programs [1]

State	Proposed Supplemental [2]
Oklahoma	$7,120,870
Oregon	3,345,843
Pennsylvania	19,993,361
Rhode Island	1,563,847
South Carolina	6,862,683
South Dakota	1,330,478
Tennessee	10,669,177
Texas	51,182,070
Utah	1,310,544
Vermont	250,000
Virginia	5,928,321
Washington	5,146,584
West Virginia	5,778,683
Wisconsin	5,653,028
Wyoming	384,089
District of Columbia	1,826,956
Puerto Rico	22,332,257
Total	500,000,000

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[1] Distribution is based on the concentration grants formula, with minimum State allocation of $250,000.

[2] Amounts shown are estimates.

Compensatory Education for the Disadvantaged

Census Adjustment[1]

State	Proposed Supplemental [2]
Alabama	$8,530,836
Alaska	185,939
Arizona	0
Arkansas	2,954,438
California	1,664,438
Colorado	194,687
Connecticu	5,322,934
Delaware	1,837,369
Florida	6,121,670
Georgia	9,238,125
Hawaii	1,140,251
Idaho	420,309
Illinois	13,716,229
Indiana	1,999,182
Iowa	2,105,089
Kansas	677,372
Kentucky	3,636,262
Louisiana	837,210
Maine	3,327,640
Maryland	7,742,773
Massachusetts	10,387,615
Michigan	1,171,114
Minnesota	2,657,308
Mississippi	4,237,159
Missouri	2,710,520
Montana	275,635
Nebraska	1,325,895
Nevada	174,206
New Hampshire	446,301
New Jersey	19,347,011
New Mexico	131,596
New York	41,739,548
North Carolina	12,803,378
North Dakota	559,114
Ohio	827,746

Compensatory Education for the Disadvantaged

Census Adjustment[1]

State	Proposed Supplemental [2]
Oklahoma	$448,989
Oregon	146,817
Pennsylvania	14,552,574
Rhode Island	1,457,990
South Carolina	5,843,009
South Dakota	1,000,448
Tennessee	8,157,865
Texas	1,490,878
Utah	121,779
Vermont	652,045
Virginia	9,165,897
Washington	71,740
West Virginia	1,044,648
Wisconsin	1,409,012
Wyoming	58,440
District of Columbia	2,701,787
Puerto Rico	16,034,560
Total	234,805,000

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[1] Funds will be provided to States based on allocations to counties that, from the regular Chapter 1 allocation, are receiving less than 92 percent of their fiscal year 1992 allocation for Basic and Concentration Grants combined. Each State's allocation will be determined based on the amount of funding necessary to increase county allocations to 92 percent.

[2] Amounts shown are estimates.

DEPARTMENT OF EDUCATION

Student Financial Aid

Fiscal Year 1993 Supplemental Request | Page No.

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STUDENT FINANCIAL ASSISTANCE

For an additional amount for "Student financial assistance" for payment of awards made under subpart 1 of part A of title IV of the Higher Education Act of 1965, as amended, $2,023,730,000, which shall be available through September 30, 1994, of which $653,000,000 shall be available for such awards made for award year 1993-1994, and $1,370,730,000 shall be available for such awards for the 1992-1993 and prior award years.

Student Financial Assistance

Analysis of Language Provisions and Changes

Language Provision	Explanation
For an additional amount for "Student financial assistance" for payment of awards made under subpart 1 of part A of title IV of the Higher Education Act of 1965, as amended, $2,023,730,000, which shall be available through September 30, 1994, of which $653,000,000 shall be available for such awards made for award year 1993-1994, and $1,370,730,000 shall be available for such awards for the 1992-1993 and prior award years.	This language provides supplemental resources to fully meet current estimates of funding needed to support Pell Grant awards to students during the 1993-1994 award year and to eliminate the funding shortfalls from prior award years.

Student Financial Assistance

Amounts Available for Obligation

Current authority:	
Fiscal year 1993 appropriation	$7,546,109,000
Proposed supplemental	2,023,730,000
Subtotal, current authority	9,569,839,000
Permanent authority:	
Appropriation	3,165,000
Subtotal, gross budget authority	9,573,004,000
Unobligated balance, start of year	2,316,147,000
Unobligated balance, end of year	-4,258,058,000
Total obligations	7,631,093,000[1]

Summary of Changes

1993 Appropriation	$7,549,274,000
(Obligations)	(7,631,093,000)
1993 Revised estimate	9,573,004,000
(Revised obligations)	(7,631,093,000)[1]
Net change	+2,023,370,000
(Obligations)	(0)[1]

	1993 base	Change from base
Increases:		
Program:		
Increase to fund current and prior years' shortfalls in the Pell Grant program	$6,087,805,000[2]	+$2,023,730,000
Net change		+2,023,730,000

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[1] Pell Grant obligations and outlays are determined by the program's cost, independent of current year budget authority. Since the proposed supplemental would not affect program cost, it would have no impact on obligations and outlays.

[2] Excludes $3,165,000 in permanent authority appropriated by transfer from the Department of Defense, pursuant to P.L. 102-27.

Student Financial Assistance

	1993	
	Appropriation	Proposed Supplemental
Pell grant program......	$6,087,805,000[1]	$2,023,730,000

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[1] Excludes $3,165,000 in permanent authority appropriated by transfer from the Department of Defense, pursuant to P.L. 102-27.

PURPOSE AND METHOD OF OPERATION

The Pell Grant program is designed to provide need-based grants to low-income undergraduate students to promote access to postsecondary education and to lower the burden of its financing. Appropriations for the Pell Grant program are discretionary. Funds appropriated in fiscal year 1993 will primarily support awards in the 1993-94 academic year.

A national need analysis formula, defined in authorizing statute, determines financial eligibility for Pell Grants and is applied uniformly to all applicants. The fundamental elements in the need analysis formula are the parents' and/or the student's income and assets, the family's household size, and the number of family members attending postsecondary institutions. Different assessment rates and allowances are used for dependent and independent students.

Students may use their grants at any one of approximately 6,600 participating postsecondary institutions. Pell Grants are disbursed to the student through the institution. The annual award amount may vary from a minimum of $400 up to a statutorily specified maximum of $3,700 for 1993. The maximum award was limited to $2,300 by language specified in the appropriations act for 1993.

Students must be undergraduates and enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution.

RATIONALE FOR THE PROPOSED SUPPLEMENTAL

Congress appropriated $5,997,690,000 for the Pell Grant program for fiscal year (FY) 1993, including $240,122,000 designated for funding prior years' shortfalls. Additionally, the Secretary transferred $90,115,000 from FY 1992 appropriations for the Educational Excellence account to the FY 1993 Pell Grant program to help fund those shortfalls.

Student Financial Assistance

The FY 1993 funding level of $5.8 billion, as reduced to cover prior years' costs, will not be sufficient to fund fully Pell Grant awards for the 1993-1994 award year. Estimated program costs for the 1993-1994 award year are $6.4 billion, $653 million more than appropriated for FY 1993.

Further, the FY 1993 designation of $240 million for prior years' shortfalls will not be sufficient to eliminate prior year shortfalls. An additional $1,371 million is needed to fund the shortfalls from prior award years.

The proposed supplemental will have no impact on Pell Grant obligations and outlays. Obligations and outlays are driven by the program's cost as determined by authorizing and appropriations language. When current year appropriations are insufficient to fully support award levels, the Department is authorized to expend funds from the next award year's appropriation. The proposed supplemental appropriation would replace funds supporting awards in the 1993-1994 award year that would otherwise have been derived from the FY 1994 appropriation.

The proposed supplemental request would permit the Secretary of Education to meet the currently estimated costs of awarding Pell Grants for the 1993-1994 award year. It would also fully meet the currently estimated Pell Grant funding shortfalls from prior award years. The proposed supplemental request would have no impact on the number of Pell Grant recipients or the amount of their awards.

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

WITNESS

HON. DONNA E. SHALALA, SECRETARY

CHAIRMAN'S REMARKS

Mr. NATCHER. We are pleased to welcome this afternoon Secretary Donna Shalala of the Department of Health and Human Services in her first appearance before the subcommittee. While ordinarily we would be asking questions about the President's 1994 budget proposal, the purpose of today's meeting is to review the 1993 supplemental request. The Department of Health and Human Services has five items within the economic stimulus package—$500 million for Head Start, $300 million for childhood immunization, $200 million for the Ryan White AIDS program, $302 million for Social Security administrative expenses and $9 million for NIH supercomputing.

Now, Madam Secretary, we would be pleased to hear any general statement you want to make.

OPENING STATEMENT

Secretary SHALALA. Let me apologize for being late. I must be on Wisconsin time.

Mr. Chairman and Members of the subcommittee, it is an honor to serve as Secretary of Health and Human Services under President Clinton at this time in our Nation's history. We have reached a watershed moment—a moment defined by the great challenges we face in areas ranging from health care reform to welfare reform and, equally, by the great opportunities we now have to strengthen our economy and invest in our future.

Exactly one week ago the President outlined to the Congress and the American people a bold plan to create jobs and invest in our future, while also cutting the deficit by at least $140 billion in 4 years. Today I am pleased to present the HHS portion of the President's supplemental budget request for fiscal year 1993. The request includes $1,300,000,000 in discretionary budget authority targeted toward key HHS programs in order to create new jobs and enhance essential services. Our plan calls for:

Expanding Head Start by extending the program into the summer months in 1993;

Improving access to our childhood immunization program by hiring additional staff, extending hours at local public health clinics, and initiating other measures to immunize up to 1,000,000 children this summer;

Increasing HIV and AIDS services available through the Ryan White Act;

Enhancing service to the public, efficiency and innovation in the management of social security programs through additional disability case processing and through improvements in automation and infrastructure; and

Augmenting NIH's development of advanced computer and networking technology to improve medical information and encourage data linkages between health care providers.

This portion of the budget package is reflective of a new philosophy that the Clinton administration brings to government: Aggressive deficit reduction, combined with investment in programs that create jobs, give our children a better chance in life, improve the Nation's health, and bring greater government efficiency to our customers—the American people.

Let me now speak to some of the specifics of our plan.

First, Summer Head Start: Head Start is a wise investment. The program saves lives, strengthens families and enriches communities, while also serving the economy. Every $1 we invest in Head Start today saves several dollars—and much hardship—down the road.

The President's supplemental budget request includes an additional $500 million to expand Head Start into the summer months, and to provide 50,000 jobs mostly for parents of Head Start participants and other residents of low-income communities. This expansion will allow up to 350,000 children to continue, uninterrupted, the growth and development achieved during the school year program.

We believe that Head Start works—you know it, I know it, and most importantly, families know it. As we fulfill the President's goal of expanding access to Head Start, we will be taking additional steps to improve the quality of the program.

Second, Immunizations: Immunization rates among our Nation's children are alarmingly low, particularly for boys and girls under the age of 2. According to UNICEF, in 1990, this country ranked 89th out of 129 nations in providing 3 doses of polio vaccination to 2-year-old children. India, Pakistan, Sierra Leone, Malawi and Uganda ranked above the United States. Among developed nations, only Spain and Ireland ranked below our country.

The President has launched a Comprehensive Childhood Immunization Initiative and, as a first step, has included in the supplemental budget request an additional $300,000,000 for childhood immunizations. Our goal is to:

Ensure that all children are immunized, especially during their early childhood years, regardless of whether they are served by public or private health providers;

We intend to rebuild the immunization delivery system, particularly in our inner cities and rural areas;

And we intend to establish an immunization tracking system to keep children on schedule, monitor disease outbreaks, and provide information to communities;

We also intend to enhance our outreach, information and education services; to speed development of new vaccines and improvement of existing vaccines; to strengthen safety measures; and to respond to shortages of vaccine supplies in the public and private markets.

The Ryan White Act: As you all know, the AIDS tragedy continues. Currently, more than 1 million people are infected with HIV in the United States, and about 60,000 new AIDS cases are estimated to occur annually. The supplemental budget request includes an additional $200 million for the Ryan White Act.

The every-increasing demand for HIV and AIDS health care services has placed a heavy financial burden upon the health care system and those communities hit hardest by the AIDS epidemic. Activities we support through Ryan White funding include:

Emergency relief to the 25 cities with either more than 2,000 reported AIDS cases or a reported cumulative per capita AIDS incidence of 0.0025.

State-administered programs providing a network of health care and support to HIV and AIDS patients, particularly those who are uninsured;

Enhance prevention efforts through our Community and Migrant Health Center networks; and

Special services for children and pregnant women and their families with HIV and AIDS.

The supplemental budget request includes $302,000,000 in fiscal year 1993 for the Social Security Administration. These funds will go toward critical improvements SSA must make in the processing of additional disability claims, and in automation and infrastructure. With this additional support, SSA will be able to provide better service now and lower costs in the future. That is an investment our customers, the American people, are sure to appreciate.

Lastly, we are requesting $9 million for the National Library of Medicine to develop technologies for high-performance computing and high-speed networking in the health care sector. In the future, modern information technologies have the potential to improve health care dramatically, while at the same time reducing its costs.

This is a wise investment. Consider, for example, the medical and fiscal benefits of a system that would allow a rural doctor to obtain a second opinion for a difficult diagnosis instantly through teleconferencing, digital X-ray transmission, and access to computer-based medical literature.

This funding will also improve progress toward the creation of national standards for electronic patient records. These standards are necessary to ensure patient privacy, but they will also save money by eliminating redundant testing and lost patient charts.

I am eager to work with all of you to enact this bold package to meet the critical challenges we face in health and human services. I hope that you will act quickly on the President's stimulus package, and, in return, I can assure you that HHS will allocate the funds to the programs quickly and efficiently.

Thank you again for this opportunity to present our portion of the supplemental budget request for fiscal year 1993. I will be happy to answer any questions you may have.

HEAD START

Mr. Natcher. Thank you, Madam Secretary. How did you determine that $500 million was the appropriate funding level for a Summer Head Start program?

Secretary Shalala. As you know, Mr. Chairman, the purpose of a stimulus package is to get the money out quickly. Recalculating what existing programs would apply for the money, this stimulus amount is based on our understanding of the number of programs that might apply to expand during the summer and money that could be effectively used. So it is not for new Head Start programs; it is specifically for existing programs. That calculation is about half the programs we would like to expand immediately into the summer.

Mr. NATCHER. Can this $500 million for Head Start be usefully spent this summer?

Secretary SHALALA. Yes, that is our calculation in terms of what we can get out and spend immediately, and the number of people that could be continued on the payroll quickly and effectively.

Mr. NATCHER. Recently we have read articles indicating that Head Start is not as effective a program as it should be. How do you respond to that?

Secretary SHALALA. It is a reasonable question and the IG, as you probably know, will be providing us two formal reports which raise questions about the administration of the Head Start program.

We believe that we shouldn't simply put money into the Head Start program. We need to improve its quality. Along with the money that Congress is committing, we intend to make quality improvements and management changes in the program, so that as we expand the program, it will be a different program and the quality will improve.

This has to do with facilities, training of workers, the quality of people that are employed, and the enrichment of the program itself. We are very conscious of some of these criticisms.

Simultaneously, there is a whole body of literature that suggests that multiple years in Head Start programs, with a good transition program into schools, has a very beneficial effect on children's lives, particularly low-income children, and makes them school-ready.

IMMUNIZATION PROGRAM

Mr. NATCHER. As far as additional funding for immunization is concerned, can you give us a better idea of how the National Vaccine Program office will allocate the $300,000,000 in immunization funding to the other Public Health Service agencies? How would this be handled?

Secretary SHALALA. The money will come into the Office of the Assistant Secretary for Health and we will pass it through directly. CDC will get $242,500,000; HRSA, $42,000,000; National Vaccine Program, $6,000,000; FDA, $5,300,000; and NIH, $4,200,000.

It is our intention on the immunization program to have a single person that manages it across the Department. When you are moving into a large-scale program like this, we believe it is necessary to have a skilled manager so that the fragmentation of the delivery system does not affect the quality or the delivery of the system. We will have a new management system in place to supervise the entire system.

Mr. NATCHER. Do you view the $300 million requested for immunization activities as a one-time infusion of funds to strengthen the vaccine delivery system, or would this be a permanent increase in the size of the Federal program?

Secretary SHALALA. We see it as a permanent increase for the infrastructure delivery system.

I think it is important for me to repeat that we believe that we need to have the infrastructure up and in place before we start delivering a high level of services. Putting that infrastructure in place along with outreach services will automatically increase the number of kids that get immunizations, particularly those under the age of 2.

The criticism of the Federal Government and the States not having an adequate delivery system, I believe is correct. We respond to that by putting that structure in place, along with outreach services and real people and the number of hours and those things, before we go blasting through trying to get millions of kids their shots.

SOCIAL SECURITY DISABILITY APPLICATIONS

Mr. NATCHER. Your budget documents indicate, as you know, that Social Security disability applications have risen 46 percent since 1990. How much of this increase is related to the recession and how much is a permanent increase in the program level?

Secretary SHALALA. That is a tough question. It is probably a mixture, and I would have to go back and look at that carefully. The disability program has suffered from a backlog of cases and inadequate funding and we are trying to catch up, both in terms of funding and in terms of analysis of what is happening. Some of our request is for analytical effort as well as trying to improve or catch up with our handling of the cases.

My best guess is that it would be a mixed bag in terms of the combination of the two explanations.

RYAN WHITE

Mr. NATCHER. Why is your entire AIDS request directed to Ryan White treatment programs rather than to the prevention programs operated by the Centers for Disease Control?

Secretary SHALALA. The stimulus request is for Ryan White, but in other program requests, we are also requesting support. For instance, in our investment package, we are doing a whole preventive piece.

The Ryan White request is there because it is what we can get out in terms of the stimulus package. The guideline was money we could spend immediately, but it is not to indicate a lack of commitment on the parts of CDC or the other outreach components of the Assistant Secretary of Health.

Mr. NATCHER. Mr. Porter.

DEFICIT REDUCTION

Mr. PORTER. We want to welcome you and your service to our country. We wish you well in your new position.

I have some doubts about this economic stimulus package. Please don't take any of my comments personally. I really do. I sit here and look at the fact that we are running a $330,000,000,000 deficit now and wonder how $30,000,000,000 on top of that is going to stimulate us any more than we are already being stimulated by the

$330,000,000,000 in a $5,500,000,000,000 economy. Not only do we have to justify the standards that the President has set, which is job creation from these additional dollars, and programmatic merit that would contribute to the investment, but I think we have to ask ourselves, is there real justification that we add this spending to our deficit and not have the courage to pay for it? Is it really going to do us any good? Is it going to create any jobs that aren't already going to be created by an expanding economy, and shouldn't we not add to the problem of the deficit? My questions are in that context.

I would like to know—I asked Secretary Reich and Secretary Riley the same question—normally when we have a supplemental, it is offered up—and we are going to have a supplemental in addition to this one, I understand—but normally we have one in the context of a budget, so we can see what the overall priorities are and how this fits in with them.

This time we don't have a budget. The Democratic freshmen yesterday questioned the approach themselves. Do you think this is a wise way to proceed, or should we wait until we know what the overall spending will be?

Secretary SHALALA. I can answer that question within the context of what we have done here.

In the conceptualization of what we were going to do in the Department, a combination of deficit reduction, stimulus and investment, you will see the link between our stimulus requests and our investment requests which are, in essence, the new requests that are going into our budget. This stimulus package very much reflects the philosophy of prevention, and in particular, that is early investment in young people trying to catch up with some serious problems, over another, the Social Security Administration.

We have thought strategically about the total budget in submitting this stimulus request, therefore, it is not out of context. It is true you don't have the details of the budget, and I understand the thrust of your question; but I want you to know that we thought about that in putting the stimulus piece forward, and we thought about its link to the other parts of our submissions.

HEAD START

Mr. PORTER. In general, you certainly don't have to convince us about programmatic merits of Head Start or childhood immunizations or Ryan White or Social Security. Those are very worthwhile for us to address and fund. But it seems to me the question has to come back to, is it really going to create jobs or simply going to add to our deficit problem, and should we be doing this?

I want to ask, because I read this in the newspapers not long ago, the person who conceived the Head Start program said he or she felt one-third of the money was not being spent wisely right now and that any addition to the program, that person thought, would be wasted. Do you have an opinion about how well the program has been functioning and do you have reports from the Inspector General that give you any indication about any problems within the program?

Secretary **Shalala**. I think the IG reports we have read have alerted us to the fact that we must make changes as we go along. We are going to make changes in the program, not just put the money in.

We believe as we move towards the summer, towards full-day Head Start, and begin to change the nature of the program, that there will be some strains because there is a difference in going from a small, partial-day program to a fully funded program. But we should not be expanding programs in this government without enriching them. From our point of view, better training for the teachers, better administrative practices in the programs, and better monitoring not only by the Department but by the States themselves should be integral parts of our proposal. We intend to do those things, along with our request for expanding the program beginning with the summer. So we are going to put those things in place.

I agree. I can't comment on someone that throws out a number and says one-third isn't well spent. I don't know whether one-third of the teachers aren't that good.

I take seriously any weaknesses in the program. We would not be requesting new money unless we were prepared to make changes.

JOBS

Mr. **Porter**. Apparently, the budget document says that 50,000 jobs would be created this summer to serve 350,000 children, and that funding will be distributed on a formula basis to the current grantees who must then get summer programs up and running, rent space, hire teachers, and find participants. Your numbers suggest that $75 million will outlay in 1994; can you get all this done by June?

Secretary **Shalala**. If you pass the stimulus package quickly, Congressman.

Mr. **Porter**. Don't count on that.

Secretary **Shalala**. The answer is yes. What we are doing is taking a program that already exists, with the exception of New York City which does not have a heavy summer component, and expanding it during the summer.

The employees, for the most part, already exist. We are extending their salaries during the summer. While we may be adding new people to the list, this is an extension of an existing program which has an administrative structure in place. We would not have this number in if we didn't think that we could spend it during the course of the summer.

In September, the program will have approximately 700,000 kids, so we are talking about the possibility of up to half of them being present during the summer. We have made some calculations based on what we know for an existing program.

Mr. **Porter**. Looking at job creation, the $375 million is supposedly going to create 50,000 new jobs. Are those just temporary jobs for the summer?

Secretary **Shalala**. No. Extending, for the most part, existing people through the summer.

Mr. **Porter**. Extended where they wouldn't otherwise——

Secretary **Shalala**. Yes. The nature of the kinds of people that work in Head Start programs is important because often they are parents and often their incomes are below the poverty line. We may be making an important contribution in terms of incomes, in terms of raising them up. We are moving them from part-time employment to a little better than part-time employment.

Mr. **Porter**. The other $125 million is for quality improvements, staff salaries, benefit increases and the like. That will not create new jobs, will it?

Secretary **Shalala**. To the extent that we hire additional trainers and buy or rent new facilities, those are investments that may indeed have a ripple effect on job creation—certainly on stimulating the economy.

LOCAL MATCH OF FUNDS

Mr. **Porter**. Normally, you would have a 20 percent match on Federal funds. That would mean the grantees would have to raise a good deal of money. You have waiver authority. Do you expect to be waiving a lot of the matching requirements?

Secretary **Shalala**. We do indeed have the waiver authority and we will deal with it, grantee by grantee.

Mr. **Porter**. But given the short notice and the fact of economic problems, I would suspect that you are going to have to use that a great deal, because there won't be those kinds of resources available through units of local government or local sources. It seems to me you are going to have to waive a great deal.

Secretary **Shalala**. We know a lot about the programs themselves and where they are located, and I believe that the people that run Head Start programs around the country are getting geared up so that there is some understanding out there in terms of what is going on.

Mr. **Porter**. Is there duplication between this and the Chapter 1 summer preschool program?

Secretary **Shalala**. Not that I know of. Secretary Riley and I are in conversation about making sure there is a good fit between our programs and Chapter 1 programs.

NURSES FOR VACCINE PROGRAM

Mr. **Porter**. If you look at the vaccine program, one of the things that is going to be necessary is the hiring of 4,000 nurses, we understand, to administer the vaccines to the children. Given the nursing shortage, is this going to be a problem to get them in place quickly and to find people to actually carry out the work?

Secretary **Shalala**. One place an educator loves to stimulate is something like dealing with the nursing shortage. There are nursing shortages in some parts of the country; in other parts, there are not. We believe that we could find the health care professionals for the program. Again, with the vaccine program, we are building that infrastructure and putting pieces in place through the course of the summer. While some of it is personnel, some of it will be nurses but another is outreach people who are certainly people with more general skills.

So they are people in the health professions, but not necessarily just nurses as part of the group.

INTERNATIONAL VACCINE PROGRAM

Mr. PORTER. Last question, I understand that a portion of the immunization services apply not only domestically but a portion apply overseas. How much of that is overseas as opposed to within the United States, and how would that apply overseas?

Secretary SHALALA. What we would like to do, Congressman, is to help eradicate polio around the world. As you know, diseases know no boundaries. There is an opportunity to do that if the United States is prepared to make an investment. So we have identified that disease as part of this overall program to see if we can help the international organizations to knock it out.

That amount is $20 million.

Mr. PORTER. Won't this normally go through AID rather than through your Department?

Secretary SHALALA. Yes.

Mr. PORTER. Why is it going through HHS in this supplemental?

Secretary SHALALA. It would be appropriated to us, and we will work with the AID program.

Mr. PORTER. Why are we doing it this way? It just keeps one more subcommittee out of it?

Mr. OBEY. That is fine with me.

Mr. PORTER. I just wonder——

Secretary SHALALA. I will give you the answer I gave during my hearing. The organization of what unit in government is responsible for what doesn't often follow the need for a strategic plan in a specific area.

Immunization is an area where we actually sat down and thought about all its components. So the international dimension is one of the components, and we don't think it is inappropriate to put it in there.

Mr. OBEY. Would the gentleman yield? I thought that CDC had a small program now that was already doing that. All you are doing, as I understand it, is to supplement an existing—this is not the first time.

Secretary SHALALA. CDC does have a small program.

Mr. OBEY. There has also in the past been a relationship with AID. This isn't the first time we have worked together as subcommittees.

Secretary SHALALA. CDC works with AID, and the money goes back and forth between the two of them.

Mr. NATCHER. Mr. Obey.

Mr. OBEY. Mr. Chairman, with the vote, I would rather go vote and come back.

Mr. PORTER. Madam Secretary, I think I will continue for 5 more minutes. I am going to yield to my colleague.

Mr. NATCHER. Mr. Porter, I yield to you.

Mr. PORTER. I yield to Mr. Young.

Mr. YOUNG. As soon as this vote is concluded, I have to be at a markup in the Defense Subcommittee, so I am not going to be able to ask you questions. I would like to submit them to you in writing and ask that you respond to me for the record.

Second, I would like to have a member of my staff hand you a package related to an issue that you and I would have mutual interest in. I will have him hand that to you this afternoon.

Secretary SHALALA. There is no gift or anything in it?

Mr. YOUNG. No. As a matter of fact, it is more of a request for your assistance.

Secretary SHALALA. I would be happy to look at it.

Mr. YOUNG. My questions go to the vaccine program. I am an extremely strong supporter of this program. In conference, one of the most acrimonious debates we had in conference was when the Senate insisted we cut that back.

Thank you for your help.

The committee will be in recess until the Chairman returns.

[Recess.]

Mr. OBEY [presiding]. Madame Secretary, I guess we might as well go ahead as long as we are finished with the antics over in the zoo.

I guess I should first of all say—although nobody is here to hear it on the committee—I am very appreciative of the fact that President Clinton appointed you to your post.

As you know, I think you did a tremendous job when you took over the University of Wisconsin. I know in Wisconsin you did a tremendous job academically and a tremendous job helping to strengthen the financial foundation for that university.

I should also say, Mr. Chairman, that I know Wisconsin has never had the reputation in football Kentucky had in basketball, but one of the significant contributions that Donna made while she was running the University of Wisconsin campus in Madison is that she did remove our football team from the list of laughing stocks of the country and make it somewhat respectable again, which I think raised the consumer confidence level in Wisconsin, if not the country.

STIMULUS PACKAGE

I would like to respond to the remarks of Congressman Porter because he indicated that he had some doubts about the stimulus package and suggested that the budget deficit we had now was already quite stimulative. I would suggest that economically that is simply not true. A good piece of the deficit we are incurring now we are incurring because in fact, the economy is not running on all cylinders. The fastest way to bring down the deficit is to put people back to work.

In addition to having large portions of that deficit caused by insufficient economic performance, we also have a large portion of that deficit caused by things such as the S&L bailout and all the rest and those certainly aren't adding to our economic strength.

At this point, they are detracting from it. The idea of the stimulus package is very simply to blow the carbon out of the engine so that you can get the engine running on all cylinders so you can increase economic activity and put more people back to work.

People kid me every time I use these charts, but every time the issue is raised, I am going to use these charts.

This chart demonstrates why we have a stimulus package because it shows that if you take the average of the seven previous recessions, the recoveries, and compare it to the current recession today, that we are 3 million jobs short, represented by this red line, of where we would be if the economy were recovering at a rate similar to that by which it recovered in the seven previous recessions.

I want to say that I think that what also needs to be noted is that the items which are being included in the stimulus package by and large are items we ought to do anyway in terms of long-term investment and I doubt anybody would deny that immunizing kids is one of the best investments we can make if we want to avoid added health care costs down the line, and if we want to assure healthy productive workers who will be taxpayers and not tax eaters.

I think they fit in the context of reversing what has been a disastrous trend in the last ten years. This chart demonstrates what has happened to investment over the past ten years as a percentage of the Federal budget.

I don't divide the budget up into entitlements and payments to individuals. I think that is inside Washington Beltway talk. If you divide it up in terms of what it provides, investments—and by that I mean investments in kids, investments in communities' infrastructure, investments in science—that portion of the budget has dropped from 16 cents out of every dollar in 1980 to 9 cents out of every dollar today, and that is the reason that this stimulus package is here before us because it is designed not only to deal with short-term economic stimulus, but to begin immediately the long-term investment process that is necessary to get this economy functioning again.

I don't have a question, but I want to make a couple points about your request.

IMMUNIZATION

First of all, I am delighted that you have included in this package the immunization piece that you have. I remember two years ago when this subcommittee added a very healthy amount to the immunization funds that were contained in President Bush's budget and I remember the administration objected to it at the time and two weeks after their supporters on this committee were objecting to what we were doing, President Bush was on national television taking credit for what we had done in rapid conversion which I welcomed, but I was amused by it frankly.

It is disgraceful when you recognize the minority populations in this country are immunized at rates worse than Botswana.

I want to deal a moment with the fact that you are, as I understand it, also asking for funds to resume the tracking of children. We stopped doing that in 1990, and we shouldn't have, and I am glad that you are putting us back on the right track.

HEAD START

On Head Start, Mr. Porter raised the articles that came out of the Cato Institute study. If you take a look at that study, it said that programs were expanding too fast without quality control. You tried to do something about that in your submission.

It also said that teachers are paid too little to attract the highest quality professionals and we need basic followthrough so you don't lose what you gain when you put a kid in Head Start.

I think your budget request very nicely responds to those criticisms of Head Start. I know for instance that each year this subcommittee has had to tell the administration to follow the basic authorization.

Mr. Natcher is a strong supporter of following authorizations and we have had to remind them for the past two years at least that when you put money in for Head Start, you ought to be putting money in to provide increases in teacher salaries and money in to upgrade quality because if you don't then you really are throwing money at a problem without really attacking it in the smartest way.

I read page 59 of your submission, which indicated that the $500 million in supplemental funds would be used in the following way, $365 million for direct service to children, and then $125 million for quality improvements, half of which would be used for salary and benefit increases.

This is the first time that we have had a Head Start submission from the administration that recognized what the basic law is.

The authorizing committee changed the Head Start law in the first place because they recognized some of the quality problems that were cited by the Cato Institute so I think there is nothing inconsistent with the Cato study and your request. In fact, I think your request could be regarded as a direct response to some of the legitimate criticisms raised in that study and I congratulate you for it.

You can't have it both ways, and you have clearly recognized that in your budget submission.

Secretary SHALALA. Thank you.

Mr. NATCHER [presiding]. Mrs. Bentley.

HCFA RELOCATION

Mrs. BENTLEY. Thank you, Mr. Chairman.

Good afternoon, Madam Secretary. I apologize that I couldn't be here for the earlier part of your statement, but I had another committee hearing. Last night I had a call of desperation from someone in my district—are you familiar with the HCFA project?

Secretary SHALALA. Yes.

Mrs. BENTLEY. The Constituent said that there was an ad in the legal paper in the Baltimore area asking for subcontractors to proceed with calling up the General Services Administration to participate in this project. I said, "Something is wrong somewhere," and some other employees from out there called me because they had heard about it during the day.

The paper said that the ad had been put in there erroneously and that they would run a correction today. That brings me to the question that I continue to hear from the employees, "What is going to happen? When are we going to break ground? How can we get going?"

Secretary SHALALA. I am well aware of the building needs for the HCFA program and also the Social Security program. The Social Security building obviously needs renovation. I was there talking to employees not long ago and I can assure you that high up on the list of the new Social Security Commissioner and the new Administrator of HCFA will be looking at facilities.

If we are going to ask employees to do more and downsize and try to improve responsiveness and productivity, we have to assure them that they are going to have reasonable working conditions. Our employees are spread in numerous buildings and inadequate facilities and I will be working closely with GSA to be responsive.

Most of my career I have been able to balance our need for programmatic support with our need for first-class facilities and supporting workers. We have a fine civil service and I think that they already know that I intend to be supportive.

Mrs. BENTLEY. I appreciate that. The facilities are not actually in my district, but many of the employees live in my district.

Secretary SHALALA. We are happy for you to take responsibility for them, too.

LONG-TERM CARE

Mrs. BENTLEY. As HHS secretary, you will be studying the issue of long-term care for people, and over 7,000,000 people are in need of long-term care today.

Last year Nancy Johnson and I introduced legislation—and I am preparing to do so again I might point out—that would help to keep seniors in the home rather than ship them off to institutions. Medicaid rules create an incentive toward institutionalization and we are trying to correct it.

We will send a copy of the legislation to you in the next day or two, and if you have suggestions maybe you can get them back to us. It is important and all of us are concerned about this.

I also want to call to your attention an excellent long-term care program called PACE which stands for Program of All Inclusive Care for the Elderly, initially authorized in 1983. The first program was set up in Congresswoman Pelosi's neck of the woods and has been expanding.

Are you familiar with that program?

Secretary SHALALA. I am not, Congresswoman.

Mrs. BENTLEY. I think it might be something worthwhile for the agency to explore. Let's see whether this is something we need to expand on a broader basis.

I have heard good things about it in the areas where it does exist.

Secretary SHALALA. Under health care reform, we are considering options for long-term care as part of the overall strategy. In addition, the President yesterday nominated Fernando Torres-Gil as the Assistant Secretary for Aging. He is an expert on long-term care and we believe that he will be a strong advocate for those ideas that should be more rigorously explored by the Department.

IMMUNIZATIONS

Mrs. **Bentley**. Okay. I might point out that PACE does operate under a HCFA waiver and provides complete medical supportive care to the frail elderly with a multidisciplinary team of therapists and social workers.

I will be happy after he is in place to get together and talk to him about that. Now I am going to switch gears to the very young.

On the cost for vaccines, we have heard a lot about the need to immunize all of our young people. I have been reading articles in the Wall Street Journal recently on it, and one of the problems appears to be, not just the cost, but also the delivery system. I think you alluded to the delivery system in your statement.

In eleven States where there is free vaccine, only 61 percent of the eligible recipients turnout. Isn't access and delivery where our weakness is?

Secretary **Shalala**. Some of it is outreach. Part of the efforts of this administration is to get people to take responsibility for their kids, for their own behavior. We need outreach programs, but we need to talk to young mothers early on. The HIPPY program also recommended as part of the investment package a program that starts working with mothers before they actually have their children so they understand what their responsibilities are for those children.

The people who don't get vaccinations for their kids are low-income and middle-income parents who don't understand, or have not received the information that 80 percent of the vaccines should be done before a child is two years old. A national outreach program is an enormous effort, making it clear that getting everybody vaccinated is what we need to do.

I think that the criticisms about our lack of infrastructure not having a tracking system in place, and not having a systematic outreach system in place, and not having the health centers open at later hours so working parents can bring in those children, is right and that this new money will do that so we have the infrastructure in place as we are starting to expand the number of vaccinations.

VACCINE MANUFACTURERS

Mrs. **Bentley**. One of the things that concerns me is the number of manufacturers of vaccines dropped from 20 to 5 because of liability costs, and the Federal excise taxes we have imposed on them in order to allow the sale in bulk.

I think where we have to be careful that we don't discourage companies so much that they all say, hell with it, we are getting out of the business. I have a lot of doctors in Baltimore, in their fifties who are getting out because they say they are not going to take the pressure from the liability, costs for liability laws. They would like to do something, but they don't want to have all of the government and everybody else imposing and costing them a lot of extra money. They are getting out.

Not only are we losing their services, but very importantly we are losing their expertise to train our young people coming into the medical field. That really hurts.

Secretary SHALALA. It is our view that the new vaccine program must deal with the liability issue. Legislation has lapsed and we may come back in with specific recommendations on liabilities.

You are right that very few doctors will take the responsibilities unless we deal directly with that. We definitely will.

As to the issue of doctors dropping out of the system because of the general pressures of a very complex, heavily regulated system, that is why we have to do something more systemic in terms of health care reform.

The current system is overwhelming in regulatory requirements and the kind of gaming that goes on. We can no longer keep health costs down with the current system nor can we argue as we pour money into it that we are, in fact, improving the quality of health as opposed to allowing people to maximize their ability to get money out of the system. We believe that fundamental health care reform is required.

The American people clearly have said they are scared to death and we have to do something more fundamental and stop tinkering with the system.

Mrs. BENTLEY. Going back to vaccines, I hope you will weave this element of mandatory immunization in your welfare reform package as well.

Secretary SHALALA. Certainly we will take it under advisement.

Mr. NATCHER. Ms. Pelosi.

HUMAN INFRASTRUCTURE

Ms. PELOSI. Welcome, Madam Secretary.

The program that my colleague, Representative Bentley referred to in my district, I had the privilege of showing Secretary Califano. It was a cutting edge program then. We hoped to make it a model for the country and have it duplicated elsewhere. It is still a cutting edge program. Hopefully we will have an opportunity to show it to you and other community-based models for our country.

I am struck in the course of the questions today and yesterday with some of the questions about the need for these kind of initiatives in the President's stimulus package. It seems people more readily accept spending for physical infrastructure, but need an explanation for why we have to invest in the human infrastructure.

It reminds me in the earlier days of the debate about how to fight drugs. If you build a prison you will be employing many more men. If you decide in favor of treatment you are employing many more women as it turns out. Of these 50,000 Headstart employees for the summer, this is a good chance that a good number of the 4,000 nurses for the immunization program will be women. In some of these Clinton plan decisions, while they are of themselves a good way to go, also have another benefit, which is they decide in favor of employing more women. So I appreciate that side effect.

Secretary SHALALA. Not only do they employ more women, but just as important I think they tend to be female heads of households.

AIDS FUNDING

Ms. PELOSI. And minorities as well.

My question—there are so many things I want to ask you, but I will focus on AIDS. In my community—I represent San Francisco. We just reached last month our 10,000th death from AIDS. The city has up to 35,000 people living with HIV and a long history of response to many issues associated with the AIDS epidemic.

In recent years, when resources have been limited, there has been competition for funds among those interested in advancing the different agendas of research, prevention and patient care.

We would like to see a balanced approach in terms of these three goals. My question about the Ryan White Act is that as we all do or many of us who care about this issue do commend you for putting the funding for Ryan White in the package, the $200 million.

Is this one-time money or is this going to raise the baseline for 1994?

Secretary Shalala. It is going to raise the baseline.

AIDS RESEARCH

Ms. Pelosi. No doubt, services for people with HIV are critically needed, but our experience is that some of the AIDS research programs are critically underfunded and the current level of funding for AIDS is $300 million less than the NIH scientists identified as necessary for this year's efforts.

With the breakthroughs in treatment possible every day, were any thoughts given to including any research funds in the Clinton stimulus package?

Secretary Shalala. We have included some support of research trials in the package, but in the investment package, we have put in at least $73 million, for NIH research on AIDS rather than putting it in the stimulus package.

What is in the stimulus package is what we can spend right away so there is a difference between the stimulus package and the investment package. The investment package has another set of initiatives related to AIDS that would rebuild the base for research and other kinds of outreach activities.

Ms. Pelosi. We seem to always be running behind the professional judgment opinions about how much money could be spent on research, but a little bit of money would go a long way in prevention programs.

CDC requested $16 million in the supplemental for one-time funding to provide the community-based HIV prevention planning.

In order to use the money as effectively as possible in fiscal year 1994, it would be important to have these funds. Not that it is a little bit of money, but relatively speaking the $16 million and then there is another $12 million for cooperative agreements for HIV that could go out.

Our experience of course with HIV is it is the best dollar spent, a good dollar spent is on prevention because it obviously saves us human lives, but fiscally it saves us money in the long run.

So $28 million for prevention I think is needed right away in the supplemental. I know that OMB was looking to your Department for discretion on how any AIDS money would be spent.

Secretary Shalala. Yes. We have not firmed up for the 1994 investment increments exactly what the allocations are. CDC will be getting a chunk of the money as will NIH. CDC is done for about $75 million in 1994.

Let me say that our commitment to AIDS research, to outreach and to the other kinds of programs is firm and that our commitment to strategically looking for ways in which we can both improve treatment and obviously work hard to move further in terms of research in these areas.

TUBERCULOSIS

Ms. Pelosi. I appreciate that. I was impressed with your testimony for your confirmation and since then the priority you have given to AIDS. I look forward to working with you on that. I understand what you are doing for 1994, but to get that off to a running start we would have hoped to have some money in the 1993 supplemental. One more question on—related to AIDS but it has its own category, tuberculosis.

With a significant increase in the spread of tuberculosis and the ability to get TB controls funds out quickly, why is this not part of the stimulus package?

Secretary Shalala. Again, it was money that we could get out immediately and the investment package does have an $80 million request for TB control and research efforts that we identified as part of our overall prevention strategy. It is a 19th century disease that has come back on us and we have to get on top of it. We have to be careful what we can spend immediately and that was not an area where we thought we could spend a significant amount of money very quickly.

Ms. Pelosi. Using that criterion, ability to be spent quickly—we are a little late, I know. We tried to work with OMB to see if we could get something in because there are opportunities that are very cost-effective and that we think the money could be spent quickly. But you have to make the judgment with everything that you look at and I respect that. I would hope that if there happens to be any money left on the table that you might give additional consideration to how some of this money could be spent.

Secretary Shalala. We will.

Ms. Pelosi. Thank you for the priority you have given AIDS. Unfortunately, we have a lot of experience with it in our community so any way our office can be of assistance to you, please let me know. We respect your knowledge of AIDS and your commitment to it and for all that you do in your responsibility as Secretary. Thank you very much. Thank you, Mr. Chairman.

Mr. Natcher. Mr. Smith, I yield.

Mr. Smith. Madam Secretary, while I happen to be chairman of another subcommittee and we had a markup that is the reason I wasn't here. Welcome. This is a very important job you have and I am impressed with the way you have tackled it so far.

I do support the request you have made for the supplemental. I want to say that when the chairman and I went on this subcommittee the National Institutes of Health had a budget of $73 million. Now it is something over $10 billion. Most of these programs you are talking about we had never heard of, but they have made a difference. But that doesn't mean that we can't start at zero and look at each one of them and see if we can do a better job.

Secretary SHALALA. We are committed to that.

Mr. NATCHER. Mr. Hoyer.

HEAD START

Mr. HOYER. Madam Secretary, on the Head Start program, as I understand it we project as a result of the $500 million supplemental money, 50,000 new personnel for the summer. Is that correct?

Secretary SHALALA. It actually is not new. Of the 50,000, most of them will be current employees that will be continued. Many are part-time mothers and other family members and we will be continuing them throughout the summer.

Mr. HOYER. So essentially we would not be adding on people?

Secretary SHALALA. Some of them may be new people that are added for the summer depending on who wants to work during the summer, but we are using existing programs and extending employment through the summer.

Mr. HOYER. Madam Secretary, you and I have already started discussing the future of Head Start. Clearly we have a critical problem with this program. I am all for this supplemental money, but just having the money and just having the additional job slots doesn't guarantee a valuable educational experience for the children who participate. We are not going to find a solution here in this stimulus bill, but we need to really focus on the future of Head Start right away. A lot of the people, some of the real friends of Head Start have observed that staff compensation is so low that we are having trouble getting the kinds of staff we need to fulfill Head Start's promises. Now a couple of specific questions about the Head Start portion of the stimulus bill.

There is a report that the Department funded a couple of years ago noting that about $170 million was needed for Head Start infrastructure. Will any of this $500 million be available for infrastructure improvement in Head Start facilities?

Secretary SHALALA. Twenty-five percent.

WAIVERS

Mr. HOYER. Finally, it is my understanding that the in-kind contribution for the summer jobs program, which is required by statute, but which we allowed to be waived in legislation last year, may also be waived under certain circumstances in this legislation. What circumstances would those be?

Secretary SHALALA. As you know, we have used the waiver in situations where it was clear that the program was so low income they couldn't get enough of a match or in-kind contribution. In this case, it seems to me that the Department should look very carefully about whether there should be something close to a blanket waiver so we can get the money out for the summer and get the program going.

Since in-kind contributions have been made and we are talking about existing programs, I prefer to concentrate on quality and not on bureaucracy. We will look at the obstacles to getting the money out that will slow us down from spending the money and from doing some of the quality improvements we need to make. We have to make a set of strategic decisions and included will be either a streamlining of the waiver process or doing block waivers to make sure that we get this out, but not doing it simply to get the money out, but so we can concentrate on what is important, improving the quality of the program.

Mr. HOYER. I agree with that.

Mr. NATCHER. Mr. Bonilla.

Mr. BONILLA. I just got back from a D.C. subcommittee hearing so in fairness to my colleagues who have been here longer I yield my time.

Mr. NATCHER. Mrs. Lowey.

HEAD START

Mrs. LOWEY. It is a delight to have you here. I alert my colleagues to the fact that our Secretary knows how to get things done and she has certainly shown that in her previous positions. I particularly appreciated your comment that we are not just going to put money in, we are going to change the nature of the program. I would like to urge my colleagues that we don't make this a self-fulfilling prophecy because one of the problems we see in the community, I have seen it in the years that I worked at the State level, is that those very qualified people, some may not be as qualified, but many of the very qualified people who are running these programs are not alerted until the last minute, don't get the money until a month before the program starts, can't do adequate planning.

If we are going to slow this down, we have to realize we are in danger of making this a self-fulfilling prophecy. I want to move quickly to make sure we can make the qualitative changes.

With regard to Head Start I am concerned that if we wait until April that we will be unable to use the $125,000,000 effectively which you have talked about in terms of qualitative improvement. I would be interested to have your comments on that.

Secondly, with regard to Head Start I am interested in expanding Head Start as best as we can to a full day. My experience with Head Start, frankly, in all the communities in which I have worked, shows that it is a 2.5-hour program and miracle workers stream all kinds of funds in to support the 2.5 hours and do a massive job of bookkeeping to make it work.

Answer the first question; how we can use the $125,000,000 in the couple of months before the summer program most effectively and will a percent of these programs be full-day demonstration programs?

Secretary SHALALA. We are getting geared up now. Of course, April is late for us. We need to notify these programs. We will be funding existing programs, so we are not creating new programs and that will allow us to get the money out.

Since we are going to look at what obstacles there are to getting the money out in a quality way, we are going to try to smooth out the process now so we don't wait until the vote. I hope my leadership is characterized by advanced planning, by not waiting until the last moment. We are doing advance planning now.

On your second question on full-day Head Start, this is the down payment on a fundamental change in the Head Start program. In the investment package you will see laid out a huge commitment by the Clinton administration to move first to the summer and then to full-day, full-year Head Start.

What I have said, though, is that in the process of doing that we have to be careful not to strain the system, to make sure we are making the kind of management and training and facility improvements so that we truly have a modernized, enriched program that will make a difference for the children. There is a great difference going from a 2.5-hour program that has mostly four-year olds to a three- and four-year old, multiple year, bigger program.

I want to comment on who works in Head Start programs. Like many women in our society, when I hear the word "qualified" I think maybe they are talking about a different class or a different gender. It is far more important to us that we have first class training programs. We very much want parents and community members, people that live in the communities to have the opportunities for jobs in the Head Start programs. That may mean that they don't go to some of our most distinguished universities, but it means that we make an investment in people and we keep that kind of training going so we produce the kind of quality we want, and we see that as an integral part of the program.

SSA COMPUTING

Mrs. LOWEY. I know that you will make it work.

Another area I am interested in is our antiquated computer system. In recent meetings with some of the advocacy groups and some professionals who have been in the departments you hear that INS and IRS and Social Security really can't connect through the computer system. With all the talk about saving dollars, if we can invest in upgrading computer systems perhaps we can really save. That is why I was interested in your library of medicine.

Could you elaborate on the potential health care savings that these systems could bring about?

Secretary SHALALA. These new systems which will connect a rural doctor with a great teaching hospital will give every physician access to a modern medical library so that they can access it through their computer and do diagnosis and get information. These systems actually have been worked through, but most of the medical personnel of this country don't have access because we haven't made it available.

Modernizing medicine in America is extremely important. We have a request for computers for the Social Security Administration and I am surprised. You would be interested in my discussions with my colleagues in the Department. The Federal Government may be the last place on earth that still buys computers as opposed to leasing them, and that doesn't upgrade systems on a regular basis.

My colleagues can demonstrate that it is cheaper to buy because we don't budget in the money for upgrading. We keep computers longer than anyone that runs large complex institutions and therefore it becomes cheaper for us. But it means that we are way behind the rest of the world and the rest of modern management in terms of what we do.

We need to at least strategically think about those places like the health care industry where some investment in modern technology, and the Vice President is a leader. He will make a difference in terms of the quality of service not only in terms of cost, but our ability to deliver health care to parts of the country that don't have the concentration of health professions that would allow them the same kind of access that people who live in major American cities might have. That is an example. The backlog in social security, and our ability to track young people as part of the immunization program are examples of where we need to bring a whole new generation of thinking.

My colleagues know what to do but have not had the commitment from government to spend so we can upgrade and use modern systems.

Mrs. LOWEY. The person who gave me a lot of this information was Mary Jo Bane whom you are fortunate to have join you at HHS. I hope that the department will be integrating your improvements with the administration's general efforts because that is the point she emphasized; that if we are trying to save money and make these dollars cost-effective, we better know who is on the social security list and on this or that list.

Currently there are real problems in coordinating those computers. I wonder if there is a general effort. We have heard comments to that effect but are you coordinating with the Department of Labor and INS on your computers?

Secretary SHALALA. We will be, as we integrate these programs.

As you probably know, this initiative in which HHS gets a piece—the $9,000,000—to start to work on health, is part of an overall technology initiative of the Clinton–Gore administration. I have been shocked at where we are, but the fact is that my colleagues in the Department well know what the problems are with the system, and we need to provide aggressive leadership to modernize our systems.

Mrs. LOWEY. I do want to support the initiative with regard to immunizations because I think we know it is a very important point, that several of my colleagues have stressed, that whether we do it now or six months from now, it is absolutely essential that it be done. Certainly, including it as part of a job stimulus package is important.

One of my concerns was with regard to the obstacles you have discussed—poor insurance coverage, lack of education, people don't know of its existence, poor clinic hours, et cetera. I wonder how many of these obstacles can be addressed within the supplemental or how many can be only addressed in terms of a long-term plan. Do you think you will be able to get at it right away in the initial stimulus package?

Secretary SHALALA. We think so—the critical issues. We haven't listed too many, and we are trying to be realistic in terms of what you can do. What we have done is thought, strategically, if you are going to put a system in place, what are the things that you address first?

As I indicated earlier, we are going to have, hopefully, a leader of the group because there are lots of different agencies involved to make sure we stay on top of our immunization efforts. It is the effort to do the infrastructure first that is important, and our willingness to admit that that infrastructure has to be rebuilt.

There are good people out there; they are overwhelmed, with limited resources, and it is the rebuilding of an infrastructure that is important.

Mrs. LOWEY. With Secretary Riley, I discussed comprehensive services, linking up services; and I would hope that we can utilize some of the school programs which are currently in place providing those comprehensive services.

Thank you. I look forward to working with you. You are a breath of fresh air.

Mr. NATCHER. Mr. Bonilla.

CHILDHOOD IMMUNIZATIONS

Mr. BONILLA. Thank you for coming today. I would like to ask you a point of information about the childhood immunization, which is in the supplemental request. Clear something up for me.

In certain cities, I understand that the problem is not so much in the availabilities of immunization, but in the ability to reach people who don't actually take advantage of the services, whether public health facilities or whatever.

Is that the case or are there people in this country who, if they want to get their children immunized, they cannot do it?

Secretary SHALALA. All of the above, depending on where you live. In certain places, the availability of health care is limited. A very rural area—for example, in certain places, it is a lack of access to vaccines. In many places, we don't have the delivery system, hours after work, outreach programs, or education for parents about the importance of getting the shots before the children are age 2. Everybody learns that you have to have the shots before starting school, but the medical profession tells us that most children should have 80 percent of their shots before they are 2 years of age and that is a different message.

We have in this country, because of our concern and fear of liability, thick brochures on those childhood immunizations, which parents have to read and sign waivers. They scare me half to death. We have to look at the materials we give people, making sure that we are both respectful of parents and that we give them the information they need so they can sign the waivers.

All the pieces need to be put together again. That is why we are beginning to put the structural piece in place. It is never one thing.

All the critics are right.

Mr. BONILLA. So in some parts of the country, if you want to get your child immunized, you cannot do it?

Secretary SHALALA. If you go to a private doctor, and they don't want to take responsibility, they send you to a public clinic.

Mr. BONILLA. Why is there a shortage in both the private and public sector?

Secretary SHALALA. Some of it is market and the Federal Government, of course, buys a lot of the vaccines through CDC. Some States have individual contracts. There is not a big markup on vaccines in terms of the margin of what companies think they make, or say that they make on them, so there are a variety of different explanations.

I will be meeting with the pharmaceutical companies responsible for childhood vaccines and will be talking through what they see as their problems with respect to providing vaccine at a reasonable price.

Mr. BONILLA. I have read where there seemed to be—more coordinative in terms of what the administration wants.

Secretary SHALALA. They have kids, too, and their boards have children. I have no reason to believe they are not good Americans. There is no one in this country that doesn't have an interest in healthy children. It doesn't have anything to do with whether you are a Democrat or a Republican or if you own a pharmaceutical company. Everybody wants to do the right thing by our children.

STIMULUS PACKAGE

Mr. BONILLA. One more question related to economic stimulus, which is the umbrella that covers the whole program the administration is pushing. With respect to the Ryan White AIDS program and the Social Security Administration, and the computer issue with NIH money that is being spent, as well, in those 3 programs there are zero jobs being created. How does that fall under an economic stimulus package, or is this something that is needed anyway, regardless of how great the economy is going?

Secretary SHALALA. I think for the Social Security Administration, we do intend to create jobs—up to about 750 jobs, FTEs this year, which is probably an equivalent of up to 2,000 jobs over the course of the entire investment.

In terms of Ryan White, we will be providing more money to the States, and they will be adding some people as part of this investment. What we are doing with Ryan White is moving to a full funding of that program so that there will be jobs created as we go along.

Again, this is human investment. It is a different kind of job creation than building buildings or some of the other kinds of traditional stimulus package proposals.

Mr. BONILLA. So it is a real broad definition of what is economic stimulus?

Secretary SHALALA. It is but there are real jobs for real people, and also the opportunity to get these resources out so that States have an opportunity to get the programs moving.

Mr. BONILLA. Would the new jobs you referred to, be added to the base line in future years?

Secretary SHALALA. Yes.

Mr. BONILLA. Thank you very much.

Mr. NATCHER. Mr. Serrano.

INTEGRATED SERVICES

Mr. SERRANO. Thank you, Mr. Chairman.

Madam Secretary, I don't have to tell you how excited I am at your appointment. We in New York who have worked with you are extremely pleased. I was recently asked how it felt to be a junior Member of this committee. I told them it didn't feel different than any other committee. Today, it means that I had to rewrite my 10 questions 50 times. Ms. DeLauro had 350 questions, she has at least 2 left now.

I would like you to elaborate on the issue of Summer Head Start and working with other agencies, especially since Secretaries Reich and Riley said that they want to coordinate education and jobs programs, how that can play a role in Head Start.

Secretary SHALALA. Many places we have Head Start programs overlap with some of the summer job programs related to the Department of Education and Department of Labor. We will talk about how these things fit together.

When you get a critical mass of programs coming in, if you could get coordination, you could have much more economic impact of a stimulus impact in communities. When I was at HUD 15 years ago as an Assistant Secretary, I came to HHS to talk to them about coordinating programs, and I got such a cold shoulder I was turned off. I assure you that the Secretaries of the other departments and I have talked about the need to integrate programs. After all, our departments were created with long histories, but not necessarily created for the 21st century, and therefore we need to cut across the departments to make sure that we have an impact on families and on the lives of young people in a more coordinated way, because it is the multiple effect that changes behavior, provides opportunities and makes sure that no one is left behind.

HEAD START

Mr. SERRANO. I realize that one goal of the Head Start program is to begin to promote some people from within the program and create that kind of opportunity. But what a wonderful experience it might be for some of our college students to be introduced to the world of working with children and education at least for the summer.

Secretary SHALALA. I agree, and also high school students. To the extent that you and I know that we would like male role models with young children, this is a wonderful opportunity to get successful high school students exposed to youngsters in their own communities to provide role models but also to change the students' lives in terms of seeing that connection.

IMMUNIZATIONS

Mr. SERRANO. To follow up what Representative Bonilla asked, I realize the desire and the need to get the program off the ground immediately to immunize the children that are in need of it.

I have always suspected, and I could never prove it, that there are large numbers of people, in inner cities especially, who are here undocumented, and because of that, withhold their children from many of the services or activities that are legally available to them. I am wondering if we are looking at how to reach that particular population, children who are here but who may not be old enough to go to school and therefore don't appear anywhere because their parents are not going to come forth and let us know they are here.

Secretary SHALALA. Government has to send the message that every child is our child no matter what their parents' status is and that we have a responsibility and an interest as a government in making sure that all young people get immunized because it helps us all in the long run, communicating that message in a sensitive way that is responsive and understanding of culture.

But more importantly, the genuine fear of bringing in your children will result in other kinds of things happening to you is important. Head Start is community based. People tend to know people in their neighborhoods. If you hire people from the communities, you can have an impact. The immunization program needs people from the communities that know how to do the outreach and to allay fears and make people understand that these programs are for their children's futures. It is that community that will make such a difference.

TUBERCULOSIS

Mr. SERRANO. I am available for PSAs in 2 languages.

One last question—and I realize the Chairman has made it clear that we should keep our questioning to the supplemental budget—but when an administration's first document is a supplemental budget, many people can begin to read into that what it will look like in the next four years.

Is there something here that will tell me how we are going to begin to deal with the issue of tuberculosis, which never died out, but is stronger than ever in my district, the South Bronx. Having been born in Puerto Rico, I know how serious a threat it is to us to even have the word mentioned again after we thought it had died out throughout the Caribbean and in the South Bronx. When you speak to people at the senior centers, they say, "I thought that was gone," because they grew up with that fear that TB would not let them live past the age of 25.

Secretary SHALALA. The investment package includes a new commitment to deal with issues of tuberculosis, particularly since the growing group is HIV-related, intravenous drug users. You will see a sophisticated understanding of the relationship between drug use and AIDS and infectious tuberculosis. It is a difficult problem to get at because we have a cure for tuberculosis, but it requires someone coming back more than once for treatment. The kinds of people we are dealing with obviously don't lend themselves to people that come back on a regular basis for those kinds of treatments.

This country needs to make an investment quickly, but it has to be hardnosed about how difficult it is going to be because of the nature of the population that is getting tuberculosis. I share a fear with those deeply committed to dealing with AIDS that with infectious tuberculosis being added, that it will change the nature of the way we have been able to build support and caregivers for AIDS patients, if there is a chance they might be infected.

We have to deal with it around the world through international organizations, but in this country we have to have a clear strategy, and I believe the CDC has done things and is ready to take it on.

Mr. SERRANO. I support your requests strongly, and we look forward to a great 4, 8, 12, 16 years.

Mr. NATCHER. Mrs. DeLauro.

HEAD START FOUNDER

Mrs. DELAURO. Madam Secretary, you have been welcomed to death, but nevertheless I welcome you. I had the honor in 1975 of listening to you at a meeting in the JFK School. I was a new Deputy Assistant, and you were talking about New York City and the bailout and struggle there. You were impressive there and your career has been, and it is a delight to see you here today.

A footnote on the Head Start issue, I am from New Haven, Ed Ziegler, who is regarded as a founder of the Head Start program, is at the Bush Center at Yale, and I know interpretations of his quotes have been mentioned in connection with the Head Start issue.

I spoke to Ed today, and I wanted to let you know that he does not feel that the money is being wasted. I am looking at my notes because I want to be sure Ed is quoted correctly.

He said most grantees work well, some don't. He believes that the program is vital to the lives of the children that it serves, and he fully supports the funding for the summer program; and it is very important, in his view, to make the program year round. He looks upon this as an opportunity to look at ways in which one can bring quality control to tighten up management in the manner you have described today that you are looking at.

I thought I ought to mention my conversation with him, given that his name has been used as someone being critical of the program's future. I don't think there is anyone more committed to Head Start than Ed Ziegler.

Secretary SHALALA. We were very familiar with his work. I know him personally and the two new Assistant Secretaries know his work very well. They will be responsible for the design of these new initiatives to enrich the program. We will talk to him about what we need to do, so we can report back on the initiatives.

Thanks for having talked to him and following up on that.

SSI BACKLOG

Mrs. DELAURO. I want to ask several questions on the SSI disability backlog. In the supplemental request for social security, $150,000,000 is allocated to this backlog of SSI cases. The backlog puts those most in need in real jeopardy.

It is my understanding that in 1985 the time it took to process a claim was 65 days. In 1991, that jumped to 103 days, in 1992 to 104 days, and in 1993 we are looking at 128 days for processing claims.

What I wanted to ask you is, how much of the backlog do you anticipate being able to get through with the supplemental appropriation?

Secretary SHALALA. I want to be careful that I don't over-promise in this area, because the rise in disability applications is faster than the amount of resources we have been getting to deal with it, and it will take us awhile to get the computer systems in place. I would not suggest that we will significantly reduce the processing time, but we will take a stab at getting it down in an incremental way. The rise in applications has so outstripped——

Mrs. DELAURO. Do we know why?

Secretary SHALALA. Yes. It is an increase in the number of people who are eligible. It is SSA's outreach program to bring in more people that are eligible. It is the net effect of 10 years of new legislation and court decisions which add to the burden. A small portion of the rise is due to the recession.

We have efforts under way and in the planning stages to better understand the characteristics, and are doing more research to understand what is going on in terms of the disability program. We are going to make and have been making an extraordinary effort to get our arms around this issue, but frankly, the rise in applications is simply outstripping us.

But there is no question about our commitment, or the new team there, to put things in place. We are both a victim of our successes and, unhappily, of our failures as a Nation here. The best we can do is to take it on with new resources and see if we can get better insight into strategies for dealing with it.

SSA APPEALS

Mrs. DELAURO. I think the funding is well worth it. After someone has waited 5 months in terms of the processing, the Social Security Administration approved less than half of all the applications. Then you go through an appeals process after that. Is there any idea of how many of these cases are appealed?

Secretary SHALALA. We could provide that for the record.

[The information follows:]

Generally, for every 100,000 initial disability claims filed, roughly 56 percent are denied. Approximately 52 percent of denied applicants can be expected to file a request for a reconsideration (about 29,000 requests), and roughly 79 percent of these requests will be denied. The next step in the appeals process is to request a hearing before an administrative law judge. Roughly 72 percent of applicants denied at the reconsideration level can be expected to file a request for a hearing (about 16,000).

SSA STAFFING

Mrs. DELAURO. And then there is a question of how many appeals are successful. There again, our understanding is about 70 percent of the appeals are successful. So that you are looking at a system which, at the moment—without trying to get a handle on it—puts some of these SSI applicants in the gravest danger day by day, month by month, as they wait for their applications to be processed. Clearly, the issue is not yet being addressed.

Secretary SHALALA. One of the things that we are going to do is invest in the appeals process and increase the number of appeals examiners. We are going to make an investment there.

Finally, SSA has a long-range strategic plan now, looking at new ways of streamlining the disability pr[illegible] decision-making. We have had enough experience where we should be able to streamline it.

The Social Security Administration is one place that is starting to look at total quality management, so we empowered the workers to tell us ways in which we could streamline the process. I believe when you are in a complex situation like the disabilities program, that bringing in millions more management consultants to help you streamline the process may not be as effective as asking the people on the line themselves, which is what the total quality management approach would do because it puts you in a mode of continuous improvement so everybody has a stake in streamlining the process and getting it working better for people.

Mrs. DeLauro. Will this add additional employees?

Secretary Shalala. Yes. The social security program took a big hit in number of employees over the last decade. I went there myself to look at the process, as well as to visit the facilities; and there are lots of things that we need to do there.

Mrs. DeLauro. I want to make the point that even with this supplemental there are now disabled people that have no other source of income, fully entitled to receive benefits under this program that now, if we don't do something about this, will have to wait two years for help. So I applaud the use of the funds.

Thank you for your time.

Secretary Shalala. It is nice to see you again.

Mr. Natcher. Secretary Reich is in the audience with us. He was nice enough to come back, and we appreciate it.

Mr. Porter, you have one question of our present witness, and then we will go back to Secretary Reich; is that correct?

Mr. Porter. Actually, I have two, Mr. Chairman.

Mr. Natcher. Make them short, Mr. Porter.

HEAD START

Mr. Porter. Madam Secretary, you have been here a long time. The administration now tells us that the budget will not be out until April 5th two weeks more than expected on March 23, and the Democratic freshmen were telling the President and the administration that they are very uncomfortable not seeing spending cuts before they vote on the stimulus package.

I wonder, in view of what you have said about Head Start and its application to this summer program, what would be the latest date that you could know you are going to have funding to plan the Head Start summer program? It obviously is going to take some lead time. What would be a date beyond which it would be an absolute disaster?

Secretary Shalala. Tomorrow. Basically, we have to start planning now. I would not set an outside date, because that is actually not the way the system should work. We should start the planning process now to get things in place to identify those Head Start programs that might like to participate. The small investment in doing that now, in getting requests out and asking them if we are going to have a smooth stimulus transition, but when you are doing stimulus and you want to spend money during the summer, we are probably late already in terms of our ability to really move the money.

Mr. PORTER. But at some point it becomes impossible to do, does it not?

Secretary SHALALA. I am sure that is true. I still would not give you an exact date. We are going to start the planning now, and we are probably already dangerously close to the time in which anyone who is trying to move this amount of money across the government.

Mr. PORTER. If we said May 1st you are going to know that we have passed this thing, that is going to create great difficulties?

Secretary SHALALA. That would be pretty awful.

STIMULUS PACKAGE

Mr. PORTER. We have twin goals here—economic stimulus, deficit reduction. Shouldn't there be some kind of a limitation on the spending of your Department with regard to the economic stimulus package, so that we are not spilling it over into fiscal years 1994–1995–1996 and running into our other goal of reducing the deficits? In other words, shouldn't this money be put out there as quickly as possible and expended for immediate needs to stimulate the economy, rather than being spread out over a periods every time?

Don't you think it would be reasonable for the Congress to put upon all departments an ending date so that we aren't running into the other goal of bringing down the deficit?

Secretary SHALALA. We designed this program to get the money out quickly and I can't answer the question in terms of a date certain where the money ought to be spent. When the President talked to us about stimulus, he talked about identifying those programs that fit into our own strategic thinking about our departments, that could be expended immediately.

While I understand there is always money that streams out, my general sense is that the less restraints the better, but it ought to be clear that we have designed programs that are front-ended so we could get out the money quickly.

Mr. PORTER. If we are going to have this, let's get out the money quickly and see if it can do what it is designed to do. If we don't, we will be having spending while working on deficit reduction, and it won't have done the job it was designed to do.

Secretary SHALALA. I agree. You will never find me enthusiastic about constraints once we have designed a program where we clearly are making a commitment to get the money out quickly.

Mr. PORTER. Would the end of this calendar year be reasonable?

Secretary SHALALA. I came to government to reduce restraints, by bringing a background where we do design programs to do what they are supposed to do. I would be happy to be held accountable for that, but the less restraints, the better when we are trying to get these programs out.

Mr. NATCHER. We want to thank you for your appearance before the committee.

Mr. STOKES. Mr. Chairman, before you conclude here——

Mr. NATCHER. I yield.

Mr. STOKES. I have not be able to get here because I have been conducting hearings in my subcommittee and we have also marked up the supplemental this afternoon. This lady comes from Cleveland, Ohio.

Mr. NATCHER. Cuyahoga County.

Mr. STOKES. I had the distinction of going to law school with her mother. We were classmates at law school together. I won't pose any questions at this time in the interest of time, but I do want to welcome you here and say we look forward to working with you.

Mr. NATCHER. We want to thank you for your appearance before our committee at this time. It has been an excellent hearing and we want to wish you the best of everything.

[CLERK'S NOTE.—The following questions were submitted by Congresswoman Bentley with the request that answers be provided to her office prior to hearings on the fiscal year 1994 budget.]

Mrs. BENTLEY. With the recent downscaling by the National Cancer Institute of ASSIST (American Stop Smoking Intervention Study) funding to states, have the priorities of the program been defined more narrowly to ensure that the groups most at-risk, such as children and pregnant women, are reached with education programs? Have states been asked to adjust their action plans to reflect cutbacks in funding?

I am concerned by reports that funding going to the states to implement ASSIST is being used in some cases to lobby for anti-smoking legislation at the state and local levels. When he announced the ASSIST program in 1991, former HHS Secretary Sullivan specifically said that the funds would not be used for lobbying.

What steps are being taken to control the use of federal funds to ensure that such lobbying of state and local officials does not occur? What penalties are imposed upon a state if evidence is found that ASSIST funds have been used to lobby?

[CLERK'S NOTE.—The following questions were submitted by Congressman Young with the request that answers be provided to his office prior to hearings on the fiscal year 1994 budget.]

Mr. YOUNG. The purpose of this hearing is to discuss the administration's request for emergency assistance and funding for the creation of jobs. A matter I want to raise with you today on behalf of my state of Florida and a number of other states, deals with both: a fiscal emergency and jobs.

The Alcohol, Drug Abuse, and Mental Health Act, enacted by Congress last year, prohibits the release of alcohol, drug abuse, and mental health block grant funds to the states after January 1st of this year until the Department promulgates regulations in the Federal Register regarding their use. This means that 2nd quarter allotments for states, in Florida's case totaling $12.5 million, that were to be released on January 1st have not been released to the states.

What is the status of these regulations and what is your best estimate or their publication?

Is there some type of emergency mechanism that can be used to release second quarter block grant funds to the states, or at least to those states who will have to close down alcohol and substance abuse programs, as Florida will be April 1st?

One of the items of greatest interest to me in this supplemental request is funding for immunization of our nation's children. You refer in your opening statement to our nation's terrible record on immunizing our 2 year old children. I agree with you that it is shocking that we rank below India in our immunization rate.

The plan you have presented in your supplemental request is a very aggressive effort to immunize every 2 year old. It is my understanding that the basis for this effort is the draft of the National Vaccine Plan, a consensus document prepared by the National Vaccine Program's Advisory Committee. Is that correct?

One of the primary missions of the National Vaccine Program is to bring together the many players in our effort to vaccinate children, including a long list of federal departments and agencies. I disagreed with the previous administration in year's past about the importance of the National Vaccine Program in fulfilling this mission. How would you rate the effectiveness of the National Vaccine Program in bringing together the many diverse entities required to successfully vaccinate our children? What role do you see for the National Vaccine Program in this short term and long term effort?

One of the components for which you request funding under the immunization section is $6 million for other operations. It is my understanding that these funds are to provide flexibility to help ensure vaccinations for all 2 year olds. These funds could be used as seed money for promising vaccine research, and for the development of innovative ways to improve vaccine development and delivery. Would you agree that this has been primary role of the National Vaccine program since its creation by Congress?

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J. Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH RESOURCES AND SERVICES ADMINISTRATION

Health Resources and Services

For an additional amount to carry out Title XXVI of the Public Health Service Act, $200,000,000.

This supplemental request increases funding for programs authorized by Title XXVI of the Public Health Service Act (the Ryan White Comprehensive AIDS Resources Emergency Act).

This proposal would result in increased obligations of $200 million in FY 1993 and would increase FY 1993 outlays by $152 million.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

For an additional amount to carry out Section 301 and Title IV of the Public Health Service Act with respect to high-performance computing applications, $9,392,000.

This supplemental request would be used to develop applications of advanced computer and networking technology for health care.

This proposal would result in increased obligations of $9.4 million in FY 1993 and would increase FY 1993 outlays by $5.6 million. An estimated 70 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ASSISTANT SECRETARY FOR HEALTH

Office of the Assistant Secretary for Health

For an additional amount for the "Office of the Assistant Secretary for Health" for carrying out childhood immunization activities under Title III and Subtitle 1 of Title XXI of the Public Health Service Act, $300,000,000.

This supplemental request would provide funds through the National Vaccine Program to finance an immunization initiative to increase vaccination levels for children. This supplemental amount includes funds for vaccine purchase, certain personnel expenses, vaccine safety, a community-based outreach and information campaign, research, and the development of a national tracking system.

This proposal would result in increased obligations of $300 million in FY 1993 and increase FY 1993 outlays by $236 million. An estimated 250 jobs would be generated by this proposal in FY 1993.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Payments to the Social Security Trust Funds

For an additional amount for "Payments to the Social Security Trust Funds" to reimburse the trust funds for administrative expenses to carry out sections 9704 and 9706 of the Internal Revenue Code of 1986, $10,000,000, to remain available until expended.

This supplemental request is required to release $10 million from the general fund to the Limitation on Administration in order for the Social Security Administration to process non-Social Security casework under section 9704 and 9706 of the Internal Revenue Code of 1986, as added by Section 19141 of the Energy Policy Act of 1992 (Public Law 102-486).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income

For an additional amount for "Supplemental security income" for payment to the Social Security trust funds for administrative expenses, $150,000,000; and in addition to provide for making, after June 15 of the current fiscal year, benefits payments to individuals under Title XVI of the Social Security Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary.

This supplemental request is required to pay $150 million from the general fund to the Limitation on Administration in order to process Supplemental Security Income disability caseloads.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Limitation on Administrative Expenses

For an additional amount, $302,000,000, of which $10,000,000, to remain available until expended, shall be to carry out sections 9704 and 9706 of the Internal Revenue Code of 1986.

This supplemental request would increase funding for Social Security and Supplemental Security Income disability processing. The majority of the funds will be used for overtime, systems investment, and to reduce the backlog of cases in the Social Security Administration Office of Hearings and Appeals. The remainder will be used to purchase workstations, administrative systems software, and telecommunications equipment; improve field office access for the disabled; replenish inventories; acquire mainframe computers; and implement the recent coal miner's legislation.

This proposal would result in increased obligations of $302 million in FY 1993 and would increase FY 1993 outlays by $302 million.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ADMINISTRATION FOR CHILDREN AND FAMILIES

ACF Service Programs

For an additional amount for carrying out the Head Start Act, $500,000,000.

This supplemental request would provide funds to serve eligible children with Head Start in the summer.

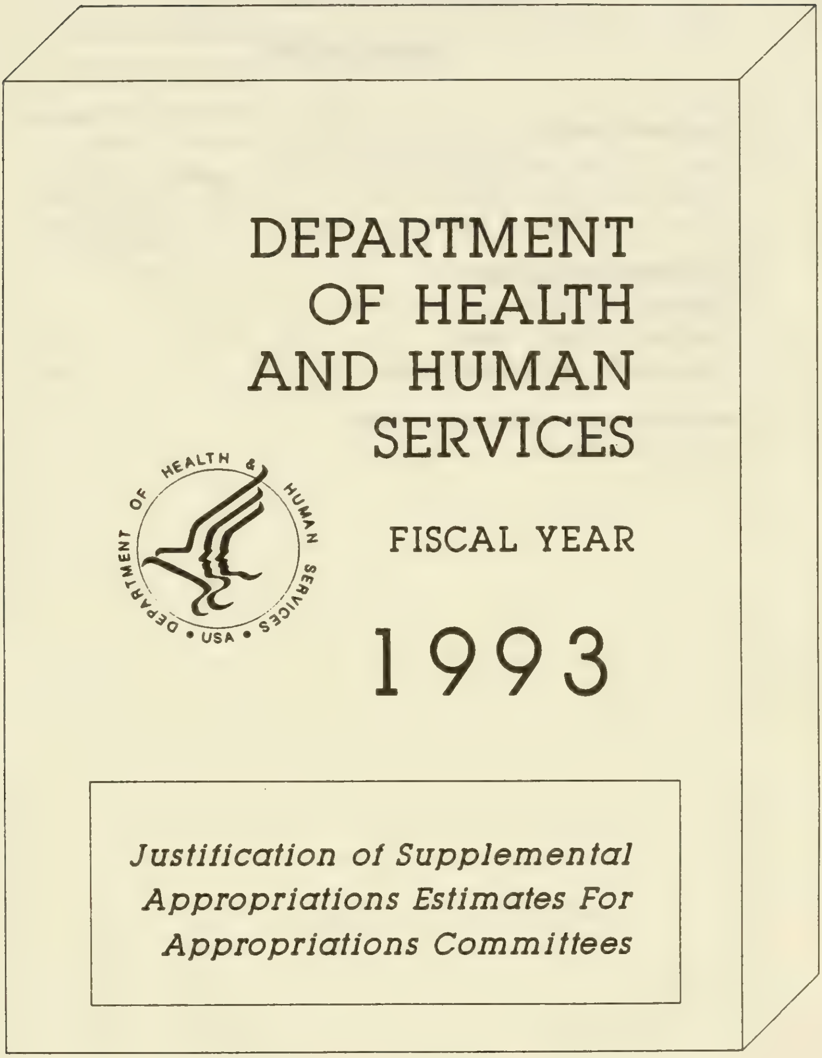
This proposal would result in increased obligations of $500 million in FY 1993 and would increase FY 1993 outlays by $425 million. An estimated 50,000 summer jobs would be funded by this proposal in FY 1993.

GENERAL PROVISIONS

Congress hereby designates all amounts provided in this Act as emergency requirements for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

This language would provide that Congress designate all amounts requested in this transmittal as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

JUSTIFICATIONS OF THE BUDGET ESTIMATES



DEPARTMENT OF HEALTH AND HUMAN SERVICES

FISCAL YEAR

1993

Justification of Supplemental Appropriations Estimates For Appropriations Committees

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Fiscal Year 1993 Supplemental

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DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH RESOURCES AND SERVICES ADMINISTRATION

Health Resources and Services

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HEALTH RESOURCES AND SERVICES ADMINISTRATION
HEALTH RESOURCES AND SERVICES

For an additional amount to carry out Title XXVI of the Public Health Service Act, $200,000,000.[1/]

Explanation of Language Change

1/ This supplemental request increases funding for programs authorized by Title XXVI (the Ryan White Comprehensive AIDS Resources Emergency Act) of the Public Health Service Act.

This proposal would result in increased obligations of $200,000,000 in FY 1993 and would increase FY 1993 outlays by $152,000,000.

Health Resources and Services

Amounts Available for Obligation

1993 appropriation	$2,601,625,000
Section 511 Reduction	-20,813,000
Section 513 Reduction	-1,100,000
Section 216 Reduction	-2,838,000
Proposed supplemental	+200,000,000
Subtotal, adjusted appropriation	$2,776,874,000
Unobligated balance, start-of-year	17,512,000
Unobligated balance, end-of-year	-14,249,000
Total obligations	$2,780,137,000

Health Resources and Services

Summary of Changes

1993 Appropriation (adjusted for P.L. 102-394 reductions)	$2,576,874,000
1993 Revised estimate	2,776,874,000
Net change, proposed supplemental	+$200,000,000

	1993 Base		Change from base	
	(FTE)[1]	Budget Authority	(FTE)[1]	Budget Authority
Increase				
Program:				
AIDS:				
Ryan White C.A.R.E. Act:				
Title I	---	$184,757,000	---	+$85,000,000
Title II	---	115,288,000	---	+85,000,000
Title III	---	47,968,000	---	+25,000,000
Title IV	---	---	---	+5,000,000
Subtotal, Ryan White	---	$348,013,000	---	+$200,000,000
Other AIDS	---	37,332,000	---	---
Subtotal, AIDS	---	$385,345,000	---	+$200,000,000
Other Health Resources and Services	(1,856)	2,191,529,000	---	---
Total, Budget Authority	(1,856)	$2,576,874,000	---	+$200,000,000
Total, Increase	---	---	---	+$200,000,000

[1] Excludes FTEs associated with the HEAL, Data Bank, Vaccine, and reimbursable activities.

Health Resources and Services

Budget Authority by Activity
(Dollars in Thousands)

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
AIDS:			
Ryan White C.A.R.E. Act:			
Title I	$184,757	$269,757	$85,000
Title II	115,288	200,288	85,000
Title III	47,968	72,968	25,000
Title IV	---	5,000	5,000
Subtotal, Ryan White	$348,013	$548,013	$200,000
Other AIDS	37,332	37,332	---
Subtotal, AIDS	$385,345	$585,345	$200,000
Other Health Resources and Services	2,191,529	2,191,529	---
Full-time equivalents	(1,856)[1]	(1,856)[1]	---
Total, Budget Authority	$2,576,874	$2,776,874	$200,000
Full-time equivalents	(1,856)[1]	(1,856)[1]	---

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[1] Excludes FTEs associated with the HEAL, Data Bank, Vaccine, and reimbursable activities.

Health Resources and Services

Budget Authority by Object

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Personnel Compensation:			
Permanent positions..	$89,996,000	$89,996,000	---
Positions other than permanent..........	6,225,000	6,225,000	---
Other personnel compensation.......	4,608,000	4,608,000	---
Special personal services payments..	220,000	220,000	---
Subtotal, personnel compensation....	101,049,000	101,049,000	---
Personnel benefits.....	23,857,000	23,857,000	---
Travel and transportation of persons...........	5,154,000	5,154,000	---
Transportation of things	951,000	951,000	---
Rental payments to GSA.	6,197,000	6,197,000	---
Communications, utilities, & miscellaneous charges	2,041,000	2,041,000	---
Printing and reproduction	745,000	745,000	---
Consulting services...	12,647,000	12,647,000	---
Other services........	71,673,000	71,673,000	---
Supplies and materials	3,885,000	3,885,000	---
Equipment.............	3,361,000	3,361,000	---
Investments and loans.	7,883,000	7,883,000	---
Grants, Subsidies, and contributions.......	2,337,431,000	2,537,431,000	+200,000,000
Total, budget authority by object.......	$2,576,874,000	$2,776,874,000	+$200,000,000

JUSTIFICATION

Health Resources and Services

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
AIDS			
Budget Authority.........	$385,345,000	$585,345,000	+$200,000,000

OVERVIEW

HRSA programs for people with HIV/AIDS include those activities funded through the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act of 1990. These State and locally administered programs provide a network of health care, and support services in cities and States for persons living with HIV infection and AIDS, especially the uninsured who would otherwise be without care. HRSA programs support the training of health professionals who provide HIV/AIDS care, as well as special programs to serve children with HIV/AIDS. In addition to providing care, these programs simultaneously develop models or systems for caring for children and families coping with HIV/AIDS. People with HIV infection and AIDS are living longer and more productive lives as a result of life-prolonging therapies. However, this increased longevity results in a higher lifetime cost estimate for health care services. For many, access to these often costly therapies remains elusive for reasons that include: lack of health insurance, limited access to trained and willing providers, or inability to pay. Mental health, home health, substance abuse treatment, housing costs, and other support services also add large additional costs. This supplemental request for resources will help meet the increasing demand for services for those individuals that do not have adequate insurance coverage or other means to pay.

TITLE I:

Title I authorizes emergency relief grants to eligible metropolitan areas (EMAs) for support of community-based, ambulatory care and support services. These services are intended for low income/underinsured people living with HIV/AIDS but are available for people of all means. Eligibility for EMAs is based on 2,000 cumulative cases of AIDS or cumulative per capita incidence of 0.0025. The needs of persons and families with AIDS or HIV disease are substantial, complex, and rapidly changing, and the service delivery and financing systems in the heavily impacted metropolitan areas have been unable, despite efforts, to fully meet these needs. As a result, large numbers of people are still not receiving care; others receive insufficient or inappropriate care, or are being served in inappropriate or high-cost settings. Preliminary estimates indicate the new CDC AIDS definition, effective January 1, 1993, may increase the number of new AIDS cases reported in the EMAs by 75 to 80 percent during calendar year 1993 alone; this, coupled with the factors outlined above, will result in greater demand for the health care, social, and support services covered under Title I of the CARE Act. This supplemental request of $85,000,000 for Title I in FY 1993 will provide additional support to the currently funded 25 EMAs, and bring the total FY 1993 funding for Title I to $269,757,000.

Output Data:

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Amount:	$184,757,000	$269,757,000	$85,000,000
Formula Grants:	25	25	*
Supplemental Grants:	25	25	*

* Augments current awards.

Funding History:

1991 . .	$86,887,000
1992 . .	$120,456,000

Rationale for the Budget Request

The supplemental request of $85,000,000 will provide support for formula and supplemental grants to the 25 eligible metropolitan areas. Fifty percent of the funds available for this activity are provided to EMAs under a statutory formula, and the remainder is made available to the EMAs on a competitive basis. These funds will continue and expand the emergency relief grants to the 25 currently-funded areas to address the need for enhanced HIV related services to people who live longer and use a larger number of increasingly expensive therapies. Caseloads of currently-funded areas are increasing 30 percent annually.

Outpatient medical costs for the 208,439 uninsured people with HIV in the 25 Title I EMAs are estimated to be $593.8 million. If pharmaceuticals are covered by Title II and if medical costs for people with pre-1993 case definition AIDS are assumed to already be provided, then $85 million could provide for medical services for an additional 28,323 people with HIV whose outpatient medical costs are approximately $3,000 per year.

In the twenty five EMAs, 89 percent of the cases reported to CDC were males and 11 percent were females. The overall racial/ethnic composition of AIDS cases was: White, 49 percent; Black, 31 percent; Hispanic, 19 percent, and Asian/Pacific Islanders, 1 percent. The most common reported risk behavior for HIV infection was sex between men, which accounted for 58 percent of the total AIDS cases in these EMAs. Injection drug use was the risk reported in 23 percent of cases in these EMAs; both sex between men and injection drug use was reported in another 6 percent, and heterosexual contact was reported in 4 percent of these cases. Two thirds of all reported cases in the United States are in the 25 Title I funded EMAs.

TITLE II:

Title II authorizes formula grants to States and territories for the operation of HIV service delivery consortia to the localities most affected by the epidemic, the provision of home and community-based care services, continuation of health insurance for people with HIV/AIDS, and purchase of pharmaceuticals. After two years of implementation, States believe the need for additional support in all of these program areas is clear. States contend that one of several critical problems is the need for increased funds to cover the cost of pharmaceuticals. At present, there are major inequities among the States in income requirements and numbers of drugs covered. Some States cover only one or two pharmaceuticals and others cover 50 or more AIDS related pharmaceuticals. The FY 1993 supplemental request of $85,000,000 could be used by States to assist in addressing these costs, although the decision on how to allocate Title II funds rests with the States. This supplemental will bring the total FY 1993 funding for Title II to $200,288,000.

Output Data:

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Amount:	$115,288,000	$200,288,000	$85,000,000
State Grants:	54	54	*
SPNS Grants:	25-30	28-34	3-4

* Augments current awards.

Funding History:

1991 . .	$86,822,000
1992 . .	$106,635,000

Rationale for the Budget Request

The supplemental request of $85,000,000 will allow states/territories to continue current programs and service capacity levels initiated with FY 1993 funding. If $40,000,000 were used for pharmaceuticals at $2000/year per patient, 20,000 new people could be covered.

Trends in the HIV epidemic indicate that almost half of the new reported cases are coming from areas outside the 18 metropolitan areas directly funded under Title I in FY 1992, thus increasing the need for funding under Title II. Seroprevalance studies of asymptomatic people indicate that HIV infection is increasing rapidly in many rural areas and smaller urban areas especially in minority populations. Many of the low prevalence cities, suburban and rural areas are only beginning to develop the continuum of health and social support services required to care for those with AIDS/HIV disease. Additional funds are needed for AIDS/HIV therapies as the number of FDA-approved treatments increase, and as medical advances in both prophylaxis and long-term therapy are enabling persons with HIV infection and AIDS to survive for substantially longer periods of time.

Under Special Projects of National Significance, one percent of the FY 1993 Supplemental request will be used to support 3-4 adolescent AIDS demonstration projects. These projects will be designed to increase access to health care and support services for adolescents at risk of, or who already have HIV disease.

TITLE IIIb - HIV Early Intervention Services:

HIV Early Intervention Service Grants are made to migrant and community health centers, health care for the homeless grantees, family planning grantees, comprehensive hemophilia diagnostic and treatment centers, federally qualified health centers under section 1905(1)(2)(B) of the Social Security Act, and other nonprofit private entities that provide comprehensive primary care services to populations at risk of HIV disease.

Preference is given to those applicants experiencing an increase in the burden regarding HIV disease. Indications of increasing burden are the number of cases of AIDS; the rate of increase in such cases; the lack of availability of early intervention services; the number of other cases of sexually transmitted diseases, tuberculosis and drug abuse and the rate of increase for these diseases; the lack of availability of primary health care services from providers other than the applicant; and the distance between the applicant's area and the nearest community that has an adequate level of availability of appropriate HIV related services and the travel time to that area. Applicants are also required to demonstrate that health care delivery methods are consistent with new directions and treatments of the HIV epidemic including an increasing number of infected minorities, women, children and families, and new medical interventions resulting from scientific and technical advances.

Rationale for the Budget Request

Currently, the Ryan White Title IIIb Grant program provides $47,968,000 to 136 grantees. These grantees project providing services to 152,900 clients in FY 1993. The requested supplemental of $25,000,000 will allow the program to:

(1) immediately fund 17 grantees whose applications were approved, but not funded ($5,500,000);

(2) fully fund the existing 136 grantees closer to their requested levels ($9,500,000);

(3) remove the $500,000 funding cap for certain existing grantees to address the growing incidence of AIDS in specific areas ($2,500,000); and

(4) continue the linkage initiative which targets substance abusers who are either infected or at high-risk for HIV ($7,500,000).

	1993 Appropriation	Revised Estimate	Proposed Supplemental
Funding	$47,968,000	$72,968,000	$25,000,000
Grantees	136	153	17
Clients with HIV	96,000	120,300	24,300
Clients at Risk	56,900	79,700	22,800
Total Clients	152,900	200,000	47,100

Funding History:

1991	$44,276,000
1992	$48,683,000

TITLE IV - Section 2671 (Demonstration Grants for Research and Services for Pediatric Patients)

Section 2671 established a program of innovative demonstration grants to ensure that clinical research and outpatient health care are accessible and coordinated for the target population of HIV infected children, pregnant women, and their families. The legislation calls for demonstration grants to develop innovative models that foster collaboration between clinical research institutions and primary/community based medical and social service providers. These were intended to complement, rather than to supplant, the grants funded under HRSA's Pediatric HIV Demonstration program. HRSA initiated interagency collaboration with NIH in 1991 to plan for Title IV implementation.

Rationale for the Budget Request

The FY 1993 Supplemental Request includes $5,000,000 to implement this section by (1) supplementing ongoing service and research programs and integrating clinical research for underserved children, youth, pregnant women and their families with a coordinated system of comprehensive care within the sites currently funded and (2) address the initiation of demonstrations within the 32 states which currently have no organized capacity for referral and inclusion and in which benefits of such a demonstration can be identified. Funds would expand the initial HRSA/NIH interagency efforts to integrate clinical trials with community-based organizations serving these populations. This program will also help assure that children, youth, pregnant women, and their families from diverse and differing communities have adequate access to and representation in NIH supported AIDS Clinical Research. Efforts to date to enroll and retain medically underserved HIV affected families in trials are generally successful only when research is conducted within an established comprehensive system of outpatient and family support services.

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Funding	---	$5,000,000	$5,000,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

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DEPARTMENT OF HEALTH AND HUMAN SERVICES

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

For an additional amount to carry out Section 301 and Title IV of the Public Health Service Act with respect to high-performance computing applications, $9,392,000. [1]

Explanation of Language Change

[1] This supplemental request would be used to develop applications of advanced computer and networking technology for health care.

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

Amounts Available for Obligation 1/

1993 Appropriation	$105,024,000
Section 511 Reduction	-840,000
Section 513 Reduction	-29,000
Section 216 Reduction	-516,000
Proposed Supplemental	+9,392,000
Total, Obligations	113,031,000

1/ Excludes the following for reimbursable activities carried out by this account in 1993: $13,130,000

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

Summary of Changes

1993 Appropriation (adjusted for PL 102-394 reductions)......	$103,639,000
1993 Revised estimate..	113,031,000
Net change, proposed supplemental..........................	+9,392,000

	1993 Base		Change from base	
	Workyears (FTEs)	Budget Authority	Workyears (FTEs)	Budget Authority (Obligations)
Increase				
Program:				
To fund costs to develop technologies for applications of high performance computing and high-speed networking in the health care sector...	--	$18,875,000	---	+$9,392,000
Other, National Library of Medicine...	609	84,764,000	---	---
Total, Budget Authority..............	609	103,639,000	---	+9,392,000
Total increase........	--	---	---	+9,392,000

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

Budget Authority by Activity
(Dollars in thousands)

	1993 Appropriation		1993 Revised Estimate		Proposed Supplemental	
	FTEs	Amount	FTEs	Amount	FTEs	Amount
Extramural Programs						
Med'l Library Assistance...	--	$15,091	--	$15,091	--	---
Medical Informatics........	--	11,368	--	14,010	--	+$2,642
Total, Extramural........	--	26,459	--	29,101	--	+2,642
Intramural Programs						
Library Operations.........	350	39,265	350	40,265	--	+1,000
Lister Hill Center.........	80	14,173	80	19,173	--	+5,000
Biotechnology Center.......	35	10,260	35	11,010	--	+ 750
Toxicology Information.....	38	5,387	38	5,387	--	---
Total, Intramural........	503	69,085	503	75,835	--	+6,750
Research Management and Support....................	106	8,095	106	8,095	--	---
Total, Budget Authority.....	609	103,639	609	113,031	--	+9,392

National Library of Medicine

Budget Authority by Object

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Personnel compensation:			
Permanent positions.................	$23,887,000	$23,887,000	---
Positions other than permanent......	2,941,000	2,941,000	---
Other personnel compensation........	670,000	670,000	---
Special personal services payments..	9,000	9,000	---
Subtotal, personnel compensation..	27,507,000	27,507,000	---
Personnel benefits....................	5,321,000	5,321,000	---
Benefits for former personnel.........	26,000	26,000	---
Travel and transportation of persons..	370,000	370,000	---
Transportation of things..............	110,000	110,000	---
Rent, communications and utilities....	1,100,000	1,100,000	---
Printing and reproduction.............	1,200,000	1,200,000	---
Other Services........................	39,646,000	46,396,000	+$6,750,000
Supplies and materials................	500,000	500,000	---
Equipment.............................	2,955,000	2,955,000	---
Literature............................	3,945,000	3,945,000	---
Grants, subsidies & contributions.....	20,959,000	23,601,000	+2,642,000
Total budget authority by object	103,639,000	113,031,000	+9,392,000

DEPARTMENT OF HEALTH AND HUMAN SERVICES

NATIONAL INSTITUTES OF HEALTH

National Library of Medicine

	FY 1993	FY 1994	FY 1995
Budget Authority........	$9,392,000	---	---
Outlays.................	$6,105,000	$3,005,000	$282,000

Justification

National Library of Medicine

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Budget Authority	$103,639,000	$113,031,000	+$9,392,000

High Performance Computing and Communications Program

Purpose and Method of Operation

Funds requested for this activity will be used to develop technologies for applications of high-performance computing and high-speed networking in the health care sector. Such applications would include the following:

1. Testbed networks for linking hospitals, clinics, doctor's offices, medical schools, medical libraries, and universities to enable health care providers and researchers to share medical data and imagery.
2. Software and visualization technology for visualizing human anatomy and analyzing imagery from X-rays, CAT scans, PET scans, and other diagnostic tools.
3. Virtual Reality (VR) technology for simulating operations and other medical procedures.
4. Collaborative technology to allow several health care providers in remote location to provide real time treatment of patients
5. Database technology to provide health care providers with access to relevant medical information and technology
6. Database technology for storing, accessing, and transmitting patients' records while protecting the accuracy and privacy of those records

Rationale for the Budget Request

High quality, affordable health care will depend upon modern information technologies. This supplement will support research, development and demonstration projects to create advanced methods of medical computing and communications. These programs will create methods whereby a doctor in a rural location could obtain a second opinion for a difficult diagnostic problem instantly, using teleconferencing, digital x-ray transmission, and instant access to computer-based medical literature and computerized expert systems for diagnosis. This will be implemented via a Medical Connections Program to connect 20 to 100 medical centers per year to the National Research and Education Network (NREN) and a Medical Network Testbed Program which fosters regional prototype medical networks, and includes real time treatment demonstration projects.

Additionally, this supplement would support progress toward creation of national standards for fully electronic patient records which protect the privacy of patients' yet provide instant access to authorized health care providers, eliminating redundant medical testing and lost patient charts; this will be supported by grants for development of prototype computer-based clinical records systems. New tools for visualizing internal organs and systems in lifelike, three dimensional detail will allow surgeons to see hidden structures they will encounter at surgery, and thus plan the best operative approaches; similar tools will allow health care providers to educate patients. Rapid access to the medical literature and other medical databases will support clinical decision making to improve the quality and uniformity of care rendered. The development of these advanced computer and communications technologies will be pursued by the National Library of Medicine in collaboration with other NIH institutes, the Agency for Health Care Policy and Research, and private computer and telecommunications providers.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of the Assistant Secretary for Health

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Justification:

National Vaccine Program 25

DEPARTMENT OF HEALTH AND HUMAN SERVICES

ASSISTANT SECRETARY FOR HEALTH

Office of the Assistant Secretary for Health

For an additional amount for the "Office of the Assistant Secretary for Health" for carrying out childhood immunization activities under Title III and Subtitle 1 of Title XXI of the Public Health Service Act, $300,000,000.

Explanation of Language Change

This supplemental request would provide funds through the National Vaccine Program to finance an immunization initiative to increase vaccination levels in children. This supplemental amount includes funds for vaccine purchase, certain personnel expenses, vaccine safety, a community-based outreach and information campaign, and resources for the development of a national tracking system.

Office of the Assistant Secretary for Health

Amounts Available for Obligation [1]

1993 appropriation	$57,444,000
Section 511 reductions	-460,000
Section 513 reductions	-41,000
Section 216 reductions	-574,000
Proposed supplemental	+300,000,000
Total, adjusted appropriation/obligations	$356,369,000

---

[1] Excludes the following amounts for reimbursable activities carried out by this account in 1993: $65,459,000 and 187 full-time equivalents (FTEs).

Office of the Assistant Secretary for Health

Summary of Changes

1993 Appropriation (adjusted for reductions)	$56,369,000
1993 Revised estimate	356,369,000
Net change, proposed supplemental	+$300,000,000

	1993 Base		Change from base	
	FTEs	Budget Authority	FTEs	Authority
Increase				
Program:				
National Vaccine Program ... To fund an immunization initiative to increase vaccination levels in children; including funds for vaccine purchase, personnel expenses, vaccine safety, outreach and information campaign, and development of a national tracking system	34	$2,737,000	+29	+$300,000,000
Total increase			+29	+$300,000,000

Office of the Assistant Secretary for Health

Budget Authority by Activity
(Dollars in thousands)

	1993 Appropriation		1993 Revised Estimate		Proposed Supplemental	
	FTE	BA	FTE	BA	FTE	BA
Adolescent family life	15	$7,598	15	$7,598	--	---
Disease prevention and health promotion	26	4,778	26	4,778	--	---
Physical fitness and sports	17	1,453	17	1,453	--	---
Minority health	78	15,488	78	15,488	--	---
National AIDS Program Office	34	2,936	34	2,936	--	---
National Vaccine Program ...	34	2,737	76	302,737	+29	+$300,000
Public Health Service Management	279	21,379	279	21,379	--	---
Total	483	$56,369	525	$356,369	+29	+$300,000

Office of the Assistant Secretary for Health

Budget Authority by Object

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Personnel Compensation:			
Full-time permanent	$22,590,000	$22,650,000	+$60,000
Other than full-time permanent ...	1,806,000	1,806,000	---
Other personnel compensation......	484,000	484,000	---
Special personnel service payments	56,000	56,000	---
Subtotal, personnel compensation	24,936,000	24,996,000	+60,000
Personnel benefits	4,599,000	4,608,000	+9,000
Travel and transportation of persons	745,000	745,000	---
Transportation of things	117,000	117,000	---
Rent, communications and utilities:			
Rental payments to GSA	2,615,000	2,615,000	---
Communications, utilities, and miscellaneous charges	597,000	597,000	---
Printing and reproduction	325,000	325,000	---
Other services	7,698,000	307,614,000	+$299,916,000
Project contracts	4,442,000	4,442,000	---
Supplies and materials	207,000	207,000	---
Equipment	193,000	208,000	+15,000
Grants	9,895,000	9,895,000	---
Total, budget authority by object	$56,369,000	$356,369,000	+$300,000,000

JUSTIFICATION

Office of the Assistant Secretary for Health

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Budget Authority (obligations) ...	$56,369,000	$356,369,000	+$300,000,000

National Vaccine Program

Purpose and Method of Operation

Immunization is one of the safest and most cost-effective ways of preventing disease, disability and death. Yet, even today, children and adults continue to needlessly suffer and die from diseases that can be prevented through vaccination because available vaccines are not used effectively. Many are still afflicted by diseases because vaccines to prevent them have not been developed.

Once in school, 95% of children are fully immunized; however, immunization rates for preschool children are significantly lower. Too few children are receiving the immunizations they need at the time they need them. Only about 56% of 2 year olds are fully vaccinated, and in some cities, as few as 10% are fully vaccinated. During the 1989-91 measles epidemic, 55,467 cases, 11,260 hospitalizations, 44,100 hospital days and more than 160 measles-related deaths occurred needlessly. Using Oral Polio Vaccine at age 2 years as a marker of progress, UNICEF rates the U.S. 89 out of 129 nations in coverage. America has fallen behind the rest of the world in pre-school immunization -- too many families have suffered unnecessarily.

Infectious diseases know no geographic boundaries. Those that threaten the world, threaten the United States. Vaccines provide the opportunity to control and even eradicate disease. Eradication of disease means that it is no longer necessary to vaccinate, freeing up significant resources for other tasks. The challenge is to make greater use of available vaccines, improve existing vaccines and make more diseases preventable with safe and effective vaccines.

To launch this Comprehensive Childhood Immunization Initiative, this supplemental request will provide, through the National Vaccine Program, an immediate infusion of funds into vaccine and immunization programs.

The Comprehensive Childhood Immunization Initiative major goals are:

- to ensure vaccination for all eligible children under 2, regardless of whether they use public, non-profit or private health providers;
- to provide increased long-term funding to build the infrastructure to provide immunization services across the Nation particularly in the Nation's hardest hit inner city and rural areas;
- to establish a new information and tracking system to permit vaccination scheduling, to follow up children who have not been adequately immunized, to remind parents of the need for vaccination, to assess the immunization status of communities, and to monitor for disease outbreaks;

- to enhance information and education efforts directed at both providers and consumers;
- to speed the development of new vaccines and the improvement of available vaccines;
- to support increased efforts to assure the safety of vaccines administered; and
- to increase international cooperative efforts to eradicate polio.

Rationale for the Budget Request

This supplemental request will provide funds through the National Vaccine Program to finance the Comprehensive Childhood Immunization Initiative specifically directed at increasing vaccination levels for all eligible children under 2. This request of $300,000,000 and 29 FTEs in FY 1993 includes the funding of 58 positions. In FY 1994, 58 FTEs will be required for the full-year staffing complement brought on-board in FY 1993.

I. The purpose of the infrastructure, information and education portion of the FY 1993 supplemental is to ensure vaccination coverage for all children, regardless of whether they use public, non-profit or private health providers. ... to provide increased long-term funding to rebuild the immunization infrastructure across the nation particularly in the nation's hardest hit inner city and rural areas ($196,000,000 and 6 FTEs/12 positions).

Each parent and guardian should expect that their preschool child will be fully immunized!

Infrastructure ($190,000,000 and 4 FTEs/8 positions)

The ability of public sector health-care providers to deliver immunizations is inadequate to meet the demand for these services. Substantial numbers of preschool age children are not being immunized. In some cities, resources for vaccine delivery are inadequate. Low preschool immunization levels were the principal cause of the 1989-1991 measles epidemic. Other reasons for low immunization rates exist within the health care system itself which may create barriers to obtaining immunization and may fail to take advantage of many opportunities to provide vaccines during regular health care visits.

In FY 1992, Congress appropriated $46.0 million to enhance the vaccine delivery infrastructure. 63 existing immunization grantees and 24 major urban areas developed action plans to improve infant immunization levels. Distribution of these funds was based on the quality of the Immunization Action Plans (IAPs) which outlined how the grantees will attain complete series immunization levels in at least 90% of children by their second birthday by the year 2000. The 87 areas indicated in their IAPs that an estimated total of $250 million annually would be needed to reach the 90 percent goal. The current FY 1993 appropriation provides approximately $45 million to fund the IAPs for a second year.

This request includes an increase of $150,000,000 for CDC's 87 current grantees to expand their vaccine delivery infrastructure. These funds will allow local health departments and other public sector providers to hire more than 4,000 persons to assist with improving preschool immunization levels.

This request also includes an increase of $40,000,000 for HRSA to improve the immunization infrastructure in the nation's lowest coverage/high risk inner city and rural areas. These funds would be provided to Community and Migrant Health Centers, Homeless Projects and Public Housing Projects to expand staff, increase clinic hours, expand service locations and outreach to families.

The additional $190,000,000 is necessary to make significant progress towards meeting the President's goal of full immunization coverage for all eligible 2 year olds. To ensure coordinated planning and service delivery, the 87 IAPs will include active participation from state primary care associations and similar state groups involved in primary care.

Information and Education ($6,000,000 and 2 FTEs/4 positions)

Low-literacy, poverty, competing priorities and the scarcity of culturally-sensitive and linguistically appropriate approaches all contribute to parental complacency about infant immunization. In some communities only a limited appreciation of the importance of beginning immunization in infancy has been reported among parents who may be isolated from the health care system. Lack of appreciation of the importance of immunization has reduced demand for immunization by such parents, further reducing immunization coverage levels.

An information and education campaign is needed to ensure that parents seek a complete series of immunizations for all children by their second birthday. Public education and outreach programs are needed to encourage parents to immunize their children. Efforts will be directed at developing community support, advocacy and private sector involvement.

Work is currently underway with the Advertising Council, Inc. (The Ad Council) on a long-term multi-media public service campaign. This initiative will support: (1) An advertising component to research, develop, produce and distribute public service advertisements and public information in both English, Spanish, and other foreign languages; and, (2) a marketing (public relations) component to promote airplay and activities to target populations in areas of under-immunization.

The Ad Council will perform the advertising component and will subcontract with a public relations firm for the second component. They will also subcontract with African-American, Hispanic, Asian, and other minority advertising firms for complementary culturally sensitive Public Service Announcements and public information, both produced and distributed through media that serve these audiences. Other activities not involving the Ad Council include conducting provider training to ensure the appropriate use of contraindications and implementing the "Standards for Immunization Practices". A special Nursing Initiative with local health departments and schools will begin and will encompass public health nursing, school nursing, nurse practitioners, and certified nurse midwives.

II. The purpose of the immunization tracking system, surveillance and outbreak response portion of the FY 1993 supplemental is to establish a new information and tracking system to permit public health agencies to follow up children who have not been adequately immunized, to measure the immunization status of communities, and to monitor for disease outbreaks ($39,200,000 and 5 FTEs/10 positions).

Immunization Tracking System ($25,000,000 and 2 FTEs/4 positions)

A national tracking system will enable identification of children who need vaccination and help parents and providers assure that all children are immunized at the appropriate age by providing accurate and timely information about the immunization status of individuals. This system will allow the assessment of immunization levels at local and state levels, monitoring disease outbreak patterns, and evaluation of the safety and efficacy of vaccines by linking vaccine administration information with adverse events reporting.

Each state will submit a plan for the development of a statewide tracking system which will identify the resource needs, including computer hardware and software and state and local personnel needed to run the system; the process by which each state will coordinate the tracking system with other statewide computer databases; the methods they will use to ensure that health care providers report the minimum data needed for each dose of vaccine administered to children; the methods by which information will be shared with other states if individuals move; and, the methods to ensure the confidentiality of immunization information while permitting the sharing of relevant immunization information with appropriate providers. Infants will be entered into the system within six weeks of birth. Aggregate immunization information will be provided to allow national monitoring of immunization coverage at local, state, and national levels and identify areas where additional programmatic assistance may be needed.

Surveillance and Outbreak Response ($14,200,000 and 3 FTEs/6 positions)

Infectious disease surveillance is a critical component of any immunization program. Surveillance identifies targets of opportunity and allows monitoring of vaccine effectiveness following the introduction of new vaccines into a susceptible population. However, many of these systems are passive in nature and limited in scope and distribution. Selected expansion of existing networks would significantly enlarge both the catchment and reliability of surveillance data particularly as it relates to traditionally underserved populations. The capability of responding to disease outbreaks as early as possible following their occurrence is critical. These resources are particularly essential in preventing outbreaks of vaccine-preventable diseases from spreading, such as occurred during the measles epidemic of 1989-1991.

The current surveillance of infectious diseases and rapid detection and response to disease outbreaks needs to be enhanced. Grant funds will primarily be used for purchasing additional vaccine needed to respond to disease outbreaks, to strengthen surveillance of infectious diseases at the state and local level, and to provide a minimum of one surveillance officer in each of the 50 states. States and localities will receive assistance in the investigation and epidemiologic analysis of infectious disease outbreaks. Work with state health department, hospitals, selected hospitals and participating centers to assess the status diseases and conditions will also be enhanced.

III. The purpose of the vaccine safety, vaccine research and development, emerging diseases, and other operations portion of the FY 1993 supplemental is to support increased efforts to assure the safety of vaccines administered to children. ... to speed the development of new vaccines and the improvement of available vaccines ($20,000,000 and 14 FTEs/28 positions).

Vaccine Safety ($3,800,000 and 6 FTEs/12 positions)

It is essential that the current high standards for vaccine safety be maintained because vaccines are given to healthy children, adolescents, and adults. The success of immunization programs in the United States depends not only on the delivery of highly effective vaccines, but also continued confidence among the general public and health care providers that vaccines are safe. There must be no tolerance or compromise in the safety of vaccines recommended for routine use.

Regulatory bodies have been unable to keep up with the rapid developments in technology which led to the accelerated development of new and improved vaccines. The current capacity to ensure post-licensure safety and efficacy of approved vaccines needs improvement.

The Public Health Service has devoted considerable resources to conducting surveillance to identify both common and rare adverse events following vaccine administration. These efforts have consisted primarily of establishing and maintaining passive surveillance systems which are limited in providing the level of detail necessary to precisely evaluate and monitor the benefits and risks associated with vaccination.

Additional attention should be given to understanding the pathophysiology and mechanisms of adverse events, with the expectation of identifying and preventing such occurrences among high-risk individuals.

This supplemental will jump start four major components of the safety initiative, a systematic and integrated approach.

- Pre-licensure activities must be enhanced. Attention needs to be given to the development of laboratory standards and assays (e.g., potency tests and reference reagents), as well as animal models and procedures for measuring the immune response to vaccines for newly developed and soon-to-be-licensed vaccines, among other areas of research.
- Post-marketing activities must be enhanced. The development of more effective methods for monitoring unknown or unanticipated events of new vaccines and assessing the relationship to vaccines administered is necessary.
- Improve reporting of adverse events and surveillance processes.
- Accelerate basic and applied research to more precisely define underlying biological mechanisms which enhance the risk of adverse events. There is a need to develop diagnostic tests for establishing a biological linkage between vaccines and adverse events. Research needs to continue regarding the immunopathophysiology of human adverse responses to vaccination and the pathogenesis of immune enhancement associated with various vaccines.

Vaccine Research and Development ($8,700,000 and 6 FTEs/12 positions)

In the United States, childhood vaccination has virtually eliminated diphtheria, tetanus, and paralytic poliomyelitis. Today, there are about 25 major human diseases caused by viruses or bacteria that are prevented or controlled by vaccines. Despite these successes, there remain many serious and life-threatening infectious diseases for which there are no effective vaccines. Many of these infectious diseases, such as those caused by respiratory syncytial virus and enteric pathogens (such as rotavirus), continue to exact a heavy toll of disease, disability and death.

The potential to build sustainable immunization programs that reach every child and incorporate new vaccines at costs that every family can afford, may not be realized with existing vaccines. It has become increasingly evident that the greater the number of contacts with a health care provider required to fully immunize a child, the less likely it is that the child will be fully immunized. Currently available vaccines require 5 visits and 15 doses to fully immunize a child by 15 months, and 6 visits and 18 doses by age 5.

The Children's Vaccine Initiative, established in 1990, is directed at the development and delivery of new and improved vaccines and provides the potential for an extraordinary technological advance to improve access to immunization services by high risk infants and children. This global initiative seeks to develop a sustainable immunization delivery system through improved access to children. This is to be achieved by simplifying the immunization schedule through reduced doses of vaccines and combinations of vaccines. Complete immunization protection will be provided with fewer visits to health care providers.

Vaccine research issues will be pursued through a framework of three strategies: expanding the scientific foundations for vaccine development; enhance vaccine development for common serious diseases, such as TB and STDs; and novel applications of vaccines.

Emerging Diseases ($1,500,000 and 1 FTE/2 positions)

Continued improvements in public health are unlikely without an aggressive assessment component that identifies emerging infectious diseases. Rapid social, economic, and demographic changes are swiftly changing the prevalence and distribution of infectious microorganisms, frequently in unpredictable ways. The enormous growth in day care facilities has increased rates of childhood infections with enteric and respiratory viruses, but it is unclear how extensive these changes are, which agents are emerging, or why. Previously obscure microorganisms are emerging as serious health problems. Listeria and E. coli strains causing hemorrhagic colitis and kidney failure are examples of recently recognized foodborne diseases.

Aggressive assessment and monitoring of emerging infectious diseases is recommended, however, surveillance for emerging microorganisms requires more than a standard template that looks for expected outcomes. Accurate assessment requires a combined epidemiology/laboratory capability and a multi-disciplinary approach to respond to disease emergence. Continual assessment is needed to identify these trends and to provide the necessary lead time needed to effect changes in vaccination policy. Development of effective immunization strategies is impossible without such information.

This request will support 8 demonstration projects to assess the feasibility of performing sentinel surveillance for emerging respiratory and foodborne diseases. Surveillance should identify unimmunized segments of the population that need to be targeted for immunization and should also indicate the emergence of unusual strains that would require either reformulation of existing vaccines or new vaccine development.

Other Operations ($6,000,000 and 1 FTE/2 positions)

This request will provide a contingency resource to be used to address emerging problems over the next 60 to 90 days. It will provide the flexibility to help assure maximal progress towards ensuring vaccinations for all eligible children under 2. For example, these funds could be used to fund urgent or unanticipated vaccine and immunization research and delivery system needs. Within each agency, vaccine projects have to compete for funds with other high priority health initiatives. These funds could be used to nurture promising vaccine initiatives and encourage the development of new and innovative ideas to improve vaccine development and delivery.

One of the best examples of the use of seed money in the past comes out of the current resurgence of tuberculosis (TB) this country is experiencing. Not only is TB reoccurring, but increasing numbers of organisms are resistant to antibiotics. The current vaccine, BCG, is of questionable efficacy. Resources were used to "jump-start" the TB vaccine initiative and will continue to be used in the future to provide support for these high priority unanticipated or emergent initiatives.

IV. The purpose of the new vaccines/purchase and stockpile portion of the FY 1993 supplemental is to provide an adequate supply of all recommended vaccines and to respond to shortages of vaccine supplies in the public and private markets ($25,000,000).

New Vaccines/Purchase ($21,000,000)

The combined diphtheria and tetanus toxoids and acellular pertussis vaccine (DTaP) which was licensed for use in the U.S. in December of 1991 will be purchased and distributed to immunization grantees for the 4th and 5th doses. The rates of local reaction, fever and other common systemic symptoms following receipt of Dtap vaccines are lower that those following whole-cell DTP vaccine. To date, the public sector had been restricted to purchasing less than 10,000 doses due to high costs.

Stockpile ($4,000,000)

The availability of licensed vaccines must never be in doubt. There has been a declining industrial interest in vaccines over the past 30 years contributing to a crisis which culminated in the 1980's. The vaccine market was considered very small by the pharmaceutical industry, partially because vaccines are designed to be used only once or only a few times in a lifetime. In addition, a variety of production and regulatory uncertainties were sufficient for companies to stop production of biologicals even before litigation over vaccine injuries became the most cited cause of industrial flight. Few foreign firms choose to enter the U.S. market. At stake has been the availability of sufficient quantities of the traditional childhood vaccines at affordable prices for all of the nation's young.

The vaccine stockpile will be increased to include the new Dtap vaccine, Hib, and/or Hepatitis B vaccines and provide storage for these vaccines. These vaccines are not currently included in the stockpile.

V. The purpose of the global polio eradication portion of the FY 1993 supplemental is to increase international cooperative efforts to eradicate polio ($19,800,000 and 4 FTEs/8 positions).

Global Polio Eradication ($19,800,000 and 4 FTEs/8 positions)

Despite the successes of the global U.N. sponsored Expanded Programme on Immunization (EPI) many vaccine preventable diseases are still prevalent in the world especially in developing countries. Participation by the United States in the global eradication of smallpox was a remarkably great investment ($32 million was spent by the U.S. -- 1966-77). This entire sum was recouped by the U.S. (in 1968 dollars) every two and one-half months since 1971 because we have been able to halt routine smallpox vaccination, eliminate the complications from vaccinations, reduce foreign quarantine needs, and eliminate the requirement for vaccination on entry to the county.

Representatives from 72 nations, including the U.S., attended the World Summit for Children in New York in 1990. They endorsed ambitious global goals including the eradication of polio by the year 2000. Global eradication of a vaccine-preventable disease such as polio will eliminate the need for, and therefore the cost of, vaccination. Long-term savings will continue to accrue at $100-300 million annually in the U.S. as a result of not expending funds for the purchase and administration of the vaccine.

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Paralytic poliomyelitis remains a serious and highly visible public health problem throughout much of the developing world, where more than 130,000 children suffer permanent disability annually. This request will assist WHO in the global elimination of polio by the year 2000 by providing technical and programmatic assistance, expanded laboratory support purchase of a portion of the polio vaccine.

The following table summarizes the resource requirements to finance the Childhood Immunization Initiative:

	Immunization Efforts	FY 1993
I.	Immunization Infrastructure	$196,000,000
II.	Tracking System and Surveillance	39,200,000
III.	Safety and Research	20,000,000
IV.	Vaccine Supply	25,000,000
V.	Global Polio Eradication	19,800,000
	Total, Budget Authority	$300,000,000

	FY 1993	FY 1994	FY 1995
Outlays	$236,000,000	$64,000,000	---

The following table is an estimate of how this supplemental request will be distributed to the PHS agencies.

Category (Dollars in millions)	HRSA	NIH	FDA	CDC	OASH/NVP	TOTAL
I. Immunization Infrastructure:						
Infrastructure	$40.0	---	---	$150.0	---	$190.0
Information & Education	2.0	---	---	4.0	---	6.0
II. Tracking System and Surveillance:						
Tracking System	---	---	---	25.0	---	25.0
Surveillance & Response	---	---	---	14.2	---	14.2
III. Safety and Research:						
Vaccine Safety	---	---	$3.8	---	---	3.8
Vaccine R&D	---	$4.2	1.5	3.0	---	8.7
Emerging Diseases	---	---	---	1.5	---	1.5
Other Operations	---	---	---	---	$6.0	6.0
IV. Vaccine Supply:						
Stockpile	---	---	---	4.0	---	4.0
New Vaccines/Purchase	---	---	---	21.0	---	21.0
V. Global Polio Eradication:						
Vaccine	---	---	---	15.0	---	15.0
Technical Assistance	---	---	---	4.8	---	4.8
Total, Immunization	$42.0	$4.2	$5.3	$242.5	$6.0	$300.0
(FTEs)	---	(1)	(10)	(17)	(1)	(29)

DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

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Justification:

Coal Industry Retiree Health Benefit Act 37

SOCIAL SECURITY ADMINISTRATION

Payments to Social Security Trust Funds

For an additional amount for the "Payments to the Social Security Trust Funds" to reimburse the trust funds for administrative expenses to carry out sections 9704 and 9706 of the Internal Revenue Code of 1986, $10,000,000, to remain available until expended. 1/

Explanation of Language Change

1/ This supplemental request is required to release $10 million from the general fund to the Limitation on Administrative Expenses in order for the Social Security Administration to process non-social security casework under sections 9704 and 9706 of the Internal Revenue Code of 1986, as amended by section 19141 of the Energy Policy Act of 1992 (Public Law 102-486).

Payments to Social Security Trust Funds

Amounts Available for Obligation

1993 appropriation	$35,242,000
Proposed supplemental	+10,000,000
Subtotal, adjusted appropriation	$45,242,000
Total obligations	$45,242,000

Summary of Changes

1993 Appropriation	$35,242,000
1993 Revised estimate	$45,242,000
Net change, proposed supplemental	+$10,000,000

	1993 Base Budget Authority (Obligations)	Change from Base Budget Authority (Obligations)
Increase		
Program		
To reimburse the Social Security trust funds for administrative expenses expended from the Limitation on Administrative Expenses account for the Social Security Administration to process non-Social Security casework under sections 9704 and 9706 of the Internal Revenue Code of 1986, as amended by section 19141 of the Energy Policy Act of 1992	-0-	+$10,000,000

Payment to Social Security Trust Funds
Budget Authority by Activity
(Dollars in thousands)

	1993 Adjusted Appropriation	1993 Revised Estimate	Proposed Supplemental
Current Authority:			
Special payments for certain uninsured persons.............	$14,142	$14,142	--
Pension Reform.......	1,100	1,100	--
Unnegotiated checks..	20,000	20,000	--
Coal Industry Retiree Health Benefit Act..........	--	10,000	+$10,000
Total Budget Authority	$35,242	$45,242	+$10,000

Payment to Social Security Trust Funds
Budget Authority and Obligations by Object

	1993 Adjusted Appropriation	1993 Revised Estimate	Proposed Supplemental
Current Authority:			
Insurance claims and indemnities.....	$34,142,000	$34,142,000	--
Other services......	1,100,000	11,100,000	+$10,000,000
Total budget authority and obligations by object..............	$35,242,000	$45,242,000	+$10,000,000

Payment to Social Security Trust Funds

Coal Industry Retiree Health Benefit Act

	1993 Adjusted Appropriation	1993 Revised Estimate	Proposed Supplemental
Coal Industry Retiree Health Benefit Act Budget Authority	---	$10,000,000	+$10,000,000

Purpose and Method of Operation

Section 19141 of the Energy Policy Act of 1992 established the "Coal Industry Retiree Health Benefit Act of 1992 (Public Law 102-486)." This Act combines two existing United Mine Workers of America pension plans into a single fund and requires that certain existing coal mine operators pay the premium for the new combined plan. Existing mine operators who will be liable for premiums are those who have signed the 1978 or subsequent coal wage agreements. The law directs the Secretary of Health and Human Services to:

Search the earnings records of the group of retired coal miners who may lose their health benefits;

Determine which retirees are to be assigned to which mine operators;

Notify the involved mine operators of the names and Social Security numbers of eligible beneficiaries who have been assigned to them (before October 1993);

Process appeals from operators who believe that assignments have been made incorrectly; and

Compute the premiums based on a formula established in the Act.

Rationale for the Budget Request

This supplemental request provides for the payment of $10,000,000 from the general funds to the Social Security trust funds for the administrative expenses to be expended from the Limitation on Administrative Expenses account, and reimbursed from this activity. The $10,000,000 reflects the estimated cost needed to reimburse the trust funds for the administrative expenses of carrying out the new functions in the Coal Industry Health Benefit Act, for which the Secretary of Health and Human Services is responsible. These costs are chargeable to Federal funds. This is a new activity and actual costs are unknown.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

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SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Program

For an additional amount for "Supplemental Security Income" for payment to the Social Security trust funds for administrative expenses, $150,000,000 [1]*; and in addition to provide for making, after June 15 of the current fiscal year, benefit payments to individuals under title XVI of the Social Security Act, for unanticipated costs incurred for the current fiscal year, such sums as may be necessary* [2].

Explanation of Language Change

[1] This request provides additional funds to reimburse the Social Security trust funds for the Supplemental Security Income program's share of Social Security administrative costs as reflected in SSA's fiscal year 1993 supplemental request for the Limitation on Administrative Expenses account.

[2] This technical change shifts the date indefinite authority can be used from July 31 to June 15. The current appropriation language limits the use of the indefinite funding authority to benefits that are paid after July 31. Because of recent increases in the number of SSI recipients, the continuing increase in SSI disability applications, and the revised projection of the program impact of the Zebley decision, SSA projects that the regular 1993 appropriation will not be sufficient to cover benefit obligations for a portion of the August payment (payable July 30) and the entire September payment. By law, since August 1, the day regularly designated for delivery of the August SSI benefit check falls on a Sunday, the August 1993 benefit check will be delivered on July 30, the last banking day before August 1. This amendment is a technical revision only and will not change the obligation or outlay pattern in the SSI program.

Supplemental Security Income Program

Amounts Available for Obligation

1993 appropriation	$21,249,657,000
Section 511 reduction	-11,906,856
Indefinite appropriation	+2,109,096,000
Proposed supplemental	+150,000,000
Subtotal, adjusted appropriation	$23,496,846,144
Unobligated balance, start-of-year	+71,751,000
Unobligated balance, end-of-year	---
Total obligations	$23,568,597,144

Supplemental Security Income Program

Summary of Changes

1993 Appropriation (adjusted for section 511 reduction and to include indefinite authority	$23,346,846,144
1993 Revised estimate	23,496,846,144
Net change, proposed supplemental	+$150,000,000

	1993 Base	Change from Base
Increases:	Budget Authority (Obligations)	Budget Authority (Obligations)
Program:		
To reimburse the Social Security trust funds for the Supplemental Security Income Program's share of the administrative costs of SSA's fiscal year 1993 supplemental appropriation	$1,476,450,144 ($1,538,960,144) [1]	+$150,000,000 (+$150,000,000)
Total increase		+$150,000,000 (+$150,000,000)

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[1] Includes $62,510,000 estimated obligation in FY 1993 from the FY 1991 supplemental appropriation.

Supplemental Security Income Program

Budget Authority by Activity
(Budget authority in thousands)

	1993 Revised Appropriation	1993 Revised Estimate	Proposed Supplemental
Federal benefit payments	$21,810,096	$21,810,096	---
(Obligations)	($21,812,000)	($21,812,000)	---
Beneficiary services .	47,600	47,600	---
(Obligations)	(48,182)	(48,182)	---
Payment to the trust funds and research and demonstration projects:			
A. Payment to the trust funds . . .	1,476,450	1,626,450	+$150,000
(Obligations) .	(1,538,960)	(1,688,960)	(+$150,000)
B. Research and demonstration projects	12,700	12,700	---
(Obligations) .	(19,455)	(19,455)	---
Total, budget authority	$23,346,846	$23,496,846	+$150,000
(Obligations) . . .	($23,418,597)	($23,568,597)	(+$150,000)

Supplemental Security Income Program

Budget Authority by Object

	1993 Adjusted Appropriation	1993 Revised Estimate	Proposed Supplemental
Other services	$1,536,750,144	$1,686,750,144	+$150,000,000
(Obligations)	($1,606,597,144)	($1,756,597,144)	(+$150,000,000)
Grants, subsidies & contributions	$21,810,096,000	$21,810,096,000	---
(Obligations)	($21,812,000,000)	($21,812,000,000)	---
Total, budget authority by object . .	$23,346,846,144	$23,496,846,144	+$150,000,000
(Obligations)	($23,418,597,144)	($23,568,597,144)	(+$150,000,000)

Supplemental Security Income Program

Federal benefit payments

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Federal benefit payments			
Budget authority .	$21,810,096,000	$21,810,096,000	---
(Obligations) . .	($21,812,000,000)	($21,812,000,000)	---

Purpose and Method of Operation

The SSI program was established to pay needy, aged, blind and disabled individuals a minimum level of income through federally-administered monthly cash payments. In many cases, these payments supplement income from other sources, including Social Security benefits.

Rationale for the Budget Request

This supplemental appropriation request contains a technical revision to the appropriation language for the SSI program. The proposed technical change will make the SSI appropriation consistent with the authorizing legislation (section 708(a) of the Social Security Act). This section states that if the day regularly designated for delivery of benefit checks under title XVI falls on a Saturday, Sunday or legal public holiday in any month the checks shall be mailed for delivery on the last banking day which precedes those days. In fiscal year 1993 August 1 falls on a Sunday. Therefore, by law, the August SSI benefit will be paid on July 30, 1993 which is the last banking day before August 1. The current appropriation language limits the use of the indefinite funding authority to benefits paid after July 31. Because of recent increases in the number of SSI recipients, continuing increases in the number of SSI disability applications, and the revised projection of the progra impact of the _Zebley_ decision, SSA projects that the regular 1993 appropriation wi not be sufficient to cover benefit obligations for a portion of the August payment (payable July 30) and the entire September payment. This amendment is a technica revision only and will not change the obligation or outlay pattern in the SSI program.

Supplemental Security Income Program

Payment to the trust funds

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Payment to the trust funds			
Budget authority .	$1,476,450,144	$1,626,450,144	$150,000,000
(Obligations) . . .	($1,538,960,144)	($1,688,960,144)	($150,000,000)

Purpose and Method of Operation

Title XVI of the Social Security Act mandates a supplemental security income (SSI) program to pay monthly cash benefits to the needy aged, blind and disabled, including disabled children, as a federally-guaranteed minimum income. This program is federally-administered and financed from general funds. Section 201(g)(1) of the Social Security Act provides that administrative expenses for the SSI program may be financed from the Social Security trust funds with reimbursement to the trust funds from general revenues. This request will provide funding to reimburse the trust funds for the SSI program's share of the administrative costs for SSA's fiscal year 1993 supplemental appropriation.

Rationale for the Budget Request

This supplemental appropriation request will make available to the Social Security Administration an additional $150,000,000 in the SSI account for the purpose of reimbursing the trust funds for the SSI program's share of the $292,000,000 supplemental for the Limitation on Administrative Expenses (LAE) account. The LAE supplemental request will provide additional funds for processing additional title II and title XVI disability determinations and for investments in automation and infrastructure improvement as discussed in the supplemental request for the LAE account.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION

Limitation on Administrative Expenses

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SOCIAL SECURITY ADMINISTRATION

Limitation on Administrative Expenses

For an additional amount, $302,000,000 1/ of which $10,000,000, to remain available until expended, shall be to carry out sections 9704 and 9706 of the Internal Revenue Code of 1986 2/.

Explanation of Language Change

1/ This request provides $292,000,000 for processing of disability claims, and investments in automation and infrastructure improvements.

2/ This request provides, $10,000,000 that shall be used by the Social Security Administration to process non-Social Security cases under section 9704 and 9706 of the Internal Revenue Code of 1986, as amended by section 19141 of the Energy Policy Act of 1992. Section 19141 of the Energy Policy Act of 1992 established the "Coal Industry Retiree Health Benefits Act of 1992". This Act combines two existing United Mine Workers of America pension plans into a single fund and requires that certain existing coal mine operators pay the premium for the new combined plan. Existing mine operators who will be liable for premiums are those who have signed the 1978 or subsequent coal wage agreement. The law directs the Secretary of Health and Human Services to:

Search the earnings record of the group of retired coal miners who may lose their health benefits;

Determine which retirees are to be assigned to which mine operators;

Notify the involved mine operators of the names and Social Security numbers of eligible beneficiaries who have been assigned to them before October 1993;

Process appeals from operators who believe that assignments have been made incorrectly; and

Compute the premiums based on a formula established in the legislation.

ese funds are authorized to be advanced from this account and mbursed to the Social Security trust funds from the Payment to al Security Trust Funds appropriation.

Limitation on Administrative Expenses

Amounts Available for Obligation 1/

1993 appropriation	$4,899,142,000
Section 511 reduction (0.8 percent)	-39,193,136
Section 216 reduction	-46,769,000
Section 513 reduction	-79,280
Proposed supplemental	+302,000,000
Subtotal, adjusted appropriation	$5,115,100,584
Unobligated balance, start-of-year	+76,776,101
Unobligated balance, end-of-year	-7,316,594
Unobligated balance, lapsing	-98,400,000
Total obligations	$5,086,160,091

1/ Excludes the following amounts for reimbursable activities carried out by this account in 1993: $45,618,290 and 573 full-time equivalents (FTE's).

Limitation on Administrative Expenses

Summary of Changes

1993 Appropriation (adjusted for sections 216, 511 and 513 reductions)	$4,813,100,584
1993 Revised estimate	5,115,100,584
Net change, proposed supplemental	+$302,000,000

	1993 Base		Change from Base	
	Workyears (FTE)	Budget Authority (Obligations)	Workyears (FTE)	Authority (Obligations)
Increase				
Program:				
To fund costs for the processing of additional disability decisions, improvements in SSA's infrastructure, and to carry out additional functions assigned to the Secretary of Health and Human Services by section 19141 of the Energy Policy Act of 1992	65,639 (63,998)	$4,813,100,584 (4,784,160,000)	2,067 (750)	+$302,000,000 (+302,000,000)
Total increase . . .			2,067	+$302,000,000
(FTEs/ Obligations) .			(750)	(+$302,000,000)

Limitation on Administrative Expenses

Budget Authority by Activity
(Dollars in Thousands)

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Old-Age and Survivors Insurance	$1,434,028	$1,467,028	+$33,000
(Obligations)	($1,440,977)	($1,473,977)	(+$33,000)
Full-time equivalents	25,162	25,162	---
(Workyears)	(25,664)	(25,664)	---
Disability Insurance	$1,516,829	$1,621,829	+$105,000
(Obligations)	($1,516,829)	($1,621,829)	((+$105,000)
Full-time equivalents	16,689	17,064	+375
(Workyears)	(17,022)	(17,596)	+574
Health Insurance	$179,385	$183,385	+$4,000
(Obligations)	($179,385)	($183,385)	(+$4,000)
Full-time equivalents	2,930	2,930	---
(Workyears)	(2,989	(2,989)	---
Supplemental Security Income 1/	$1,489,845	$1,639,845	+$150,000
(Obligations)	($1,552,355)	($1,702,355)	(+$150,000)
Full-time equivalents	17,816	18,191	+375
(Workyears)	(18,535)	(19,703)	(+1,168)
Annual Reporting	$63,779	$63,779	---
(Obligations)	($63,779)	($63,779)	---
Full-time equivalents	1,401	1,401	---
(Workyears)	(1,429)	(1,429)	---
Construction	$30,835	$30,835	---
(Obligations)	($30,835)	($30,835)	---
Coal Industry	---	$10,000	+$10,000
(Obligations)	---	($10,000)	+$10,000
Full-time equivalents	---	---	---
(Workyears)	---	(325)	(325)
Unallocated Contingency	$98,400	$98,400	---
Total, Budget Authority	$4,813,101	$5,115,101	+$302,000
(Obligations)	($4,784,160)	($5,086,160)	(+$302,000)
Full-time equivalents	63,998	64,748	+750
(Workyears)	(65,639)	(67,706)	(+2,067)

1/ The FY 1991 supplemental appropriation included $231,997,000 in budget authority to process workloads resulting from the Supreme Court decision in the *Zebley* court cases during FY 1991-FY 1993. The obligations for FY 1993 include $62,510,000 from the FY 1991 supplemental.

Limitation on Administrative Expenses

Budget Authority by Object

($ in 000's)

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Personnel Compensation:			
Permanent positions	$2,161,641	$2,191,572	+$29,931
Positions other than permanent	89,180	89,180	---
Other personnel compensation	33,100	78,994	+45,894
Special personal service payments	39,101	39,101	---
Subtotal, personnel compensation	2,323,022	2,398,847	+75,825
Personnel benefits	451,641	460,816	+9,175
Travel and transportation of persons	26,392	27,151	+759
Transportation of things	4,582	4,582	---
Rent, communication and utilities			
Rental payments to GSA (Rent)	303,540	303,540	---
Communications, utilities and miscellaneous charges	217,980	217,980	---
Printing and reproduction	20,460	20,460	---
Other services	1,208,096	1,350,816	+142,720
(Payment to Disability State Agencies)	(955,000)	(1,062,179)	(107,179)
Supplies and Materials . . .	21,164	27,685	+6,521
Equipment	83,587	144,387	+60,800
Land and structures	29,530	35,730	+6,200
Grants, subsidies and contributions	0	0	---
Insurance claims and indemnities	8,494	8,494	---
Interest and dividends . . .	16,213	16,213	---
Unallocated contingency reserve	98,400	98,400	---
Total, budget authority by object . . .	$4,813,101	$5,115,101	+$302,000

Limitation on Administrative Expenses

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Limitation on Administrative Expenses			
Budget Authority	$4,813,100,584	$5,115,100,584	+$302,000,000
(Obligations)	($4,784,160,000)	($5,086,160,000)	(+$302,000,000)

Limitation on Administrative Expenses

Purpose and Method of Operation

The Social Security Administration's (SSA's) primary responsibility is to administer the Nation's major income security programs. The limitation on administrative expenses (LAE) account finances from the Social Security trust funds most of SSA's administrative costs. It provides resources for SSA to administer the Social Security programs of old-age, survivors and disability insurance, certain health insurance functions and the supplemental security income (SSI) program for the aged, blind and disabled. Funds for annual reporting of earnings, trust fund constructions and certain activities related to pension reform also are included, as well as automated processing (ADP) and telecommunications expenses. Administrative expenses of the SSI program and of those pension reform activities that are appropriately charged to Federal funds are reimbursed to the trust funds from the Supplemental Security Income account and Payments to Social Security Trust Funds account respectively.

This request will provide funding in FY 1993 for the following major initiatives:

1. Processing additional disability work (+$192,000,000),

2. Investments in automation and infrastructure improvements (+$100,000,000), and

3. A new activity, the Coal Industry Retiree Health Benefit Act, with subsequent reimbursement to the Social Security trust funds from the Payments to the Social Security trust funds appropriation, to carry out new functions assigned to the Secretary of Health and Human Services in implementing the Coal Industry Retiree Health Benefit Act of 1992 (+$10,000,000).

Rationale for the Budget Request

This supplemental appropriation request will make available to the Social Security Administration an additional $302,000,000 in the LAE account for the administrative expenses resulting from processing additional disability work, investments in automation and infrastructure improvements, and carrying out functions assigned to the Secretary of Health and Human Services in implementing the Coal Industry Retirees Health Benefit Act of 1992.

1. Processing Additional Disability Work

SSA's goal in FY 1993 is to maintain the momentum established in FY 1992 and the first half of FY 1993 in SSA and the State Disability Determination Services (DDSs) to process additional disability workloads. This request will enable SSA and the DDSs to address the disability backlogs by providing additional funds to be used for overtime; maintaining staff in SSA's field offices and State DDSs and increasing staff in the Office of Hearings and Appeals (OHA); related support costs for disability work and DDS system investments, as well as to support disability research efforts to analyze the reasons for the program's growth.

From FY 1990, to FY 1991, to FY 1992, initial disability applications received by the DDSs went up from 1.7 million to 2.0 million, to 2.2 million; an increase of 29 percent over 2 years. In FY 1993, initial disability application receipts are expected to reach 2.5 million, an increase of 13 percent over FY 1992 and a 46 percent increase over FY 1990.

In addition to this ongoing work SSA expects to receive additional disability cases in FY 1993 from several major court cases.

- SSA entered into a settlement agreement in the U.S. District Court Southern District of New York settlement of Stieberger v. Sullivan court case on June 22, 1992. SSA expects to send notices in March 1993 to approximately 300,000 class members, and expects that 120,000 members will ask to have their cases reworked during FY 1993 and subsequent years. These cases include both Title II and Title XVI cases.

- SSA expects to process additional disability workloads in FY 1993 as a result of the Zebley v. Sullivan Supreme Court ruling in FY 1990. On February 20, 1990, the Supreme Court affirmed the Court of Appeals decision in Zebley v. Sullivan, a nationwide class action suit involving applicants whose claims for Supplemental Security Income childhood disability had been denied because the child's functional limitations were not considered in reaching the decision on the severity of the impairment. In FY 1991, the Congress approved a three year, $232 million supplemental appropriation request for SSA to process an estimated 297,000 cases related to the Supreme Court decision in the case of Zebley v. Sullivan by the end of FY 1993. Due to a higher than expected response to SSA's notices by class members requesting to have their cases reviewed, SSA now estimates about 380,000 initial decision cases, an increase of 30 percent compared to the initial estimate.

SSA is continuing efforts begun in FY 1992 to maximize disability case processing efficiencies. This includes refinements to case development and documentation, and continuation of teamwork undertaken by the Federal/State partnership and acceleration of automation efforts.

2. Investments in Automation and Infrastructure Improvements

This request provides $100,000,000 for investments in automation and for infrastructure improvements.

for automation and related support costs for the entire agency including:

- -- the acquisition and installation of computers and accompanying workstations;
- -- the acquisition of postage equipment to eliminate the need for manual counts of postage; and
- -- purchase of computer-related supplies (disks, paper, etc.)

for infrastructure improvements, including:

- -- improving disabled access to SSA's offices by renovating office entrances and public restrooms, as well as adding additional restrooms for the public;
- -- improving the heating, ventilation and air conditioning systems at SSA's facilities;
- -- improving the habitability and working conditions at SSA's facilities.

3. Carrying Out Functions Assigned to the Secretary of Health and Human Resources to Implement the Coal Industry Retiree Health Benefit Act of 1992
Section 19141 of the recently enacted Energy Policy Act of 1992 (Public Law 102-486), includes language establishing the "Coal Industry Retiree Health Benefit Act of 1992." Section 19141 of the Act adds functions assigned to the Secretary of Health and Human Services under Sections 9704 and 9706 of the Internal Revenue Code of 1986. SSA requests $10,000,000 for FY 1993 for administrative costs associated with implementing provisions of the Coal Industry Retiree Health Benefit Act of 1992 for which the Secretary of Health and Human Services is responsible. The Coal Industry Retiree Health Benefit activity is new, and actual costs are unknown. The funds requested for FY 1993 will remain available until expended.

The Act combines the two existing United Mine Workers of America pension plans into a single fund and requires that certain existing coal mine operators pay the premium for the new combined plan. Existing mine operators who will be liable for premiums are those who have signed the 1978 or subsequent coal wage agreements. The Act directs the Secretary of Health and Human Services to carry out a number of functions to implement this Act. They include:

- Searching the earnings records of the group of retired coal miners who may lose their health benefits;
- Determine which retirees are to be assigned to which mine operator;
- Notify the involved mine operators of the names and Social Security numbers of eligible beneficiaries who have been assigned to them (before October 1993);
- Process appeals from operators who believe that assignments have been made incorrectly; and
- Compute the premiums based on a formula established in the Act.

These functions are chargeable to Federal funds. Thus the Federal Old-Age and Survivors Insurance Trust Fund will advance the administrative expenses as needed, and the trust fund will be reimbursed for these costs via the Coal Industry Retiree Health Benefit Act activity in the Payments to Social Security Trust Funds appropriation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

Children and Families Services Programs

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ADMINISTRATION FOR CHILDREN AND FAMILIES

Children and Families Services Programs

For an additional amount for carrying out the Head Start Act, $500,000,000.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

Children and Families Services Programs

Amounts Available for Obligation

1993 appropriation	$3,693,483,000
Reduction Pursuant to P.L. 102-170	$ -35,092,463
Proposed supplemental	$ 500,000,000
Subtotal, adjusted appropriation	$4,158,390,537
Carryover	$ 774,036
Offsetting collections from federal funds	$ 1,055,000
Unobligated balance, start-of-year	$ 6,370,000
Unobligated balance, end-of-year	$ -1,391,000
Total obligations	$4,165,198,573

Administration for Children and Families

Summary of Changes

FY 1993 Appropriation (adjusted)..................$3,658,390,537

FY 1993 Revised estimate..........................$4,158,390,537

Net Change.. +$500,000,000

	1993 Base Budget Authority	Change from Base Budget Authority
Increases:		
Program:		
To fund cost of enrolling children in summer Head Start, for additional quality improvements and for training and technical assistance..............	$2,776,285,604	+$500,000,000
Total increase..........................		+$500,000,000

Budget Authority by Activity

	FY 1993 Appropriation	FY 1993 Revised Estimate	Proposed Supplemental
1. Head Start	$2,776,285,604	$3,276,285,604	+$500,000,000
2. Other Service Programs Activities	882,104,933	882,104,933	---
Total, Budget Authority..	$3,658,390,537	$4,158,390,537	+500,000,000

Children and Families Service Programs
Budget Authority by Object

	FY 1993 Appropriation	FY 1993 Revised Estimate	Proposed Supplemental
Personnel compensation:			
Full-time permanent	$95,712,435	$95,712,000	---
Other than full time permanent	1,783,000	1,783,000	---
Other personal services	1,585,000	1,585,000	---
Subtotal, personnel compensation	99,080,435	99,080,000	---
Personnel benefits	14,869,565	14,870,000	---
Benefits/former personnel	50,000	50,000	---
Travel and transportation	3,500,000	3,500,000	---
Transportation of things	110,000	110,000	---
Rental payments to GSA	13,000,000	13,000,000	---
Comm., utilities, misc.	3,095,000	3,095,000	---
Printing and reproduction	1,000,000	1,000,000	---
Other services	638,000		
Project Contracts	14,711,800	15,711,800	+$10,000,000
Supplies and materials	580,000	580,000	---
Equipment	200,000	200,000	---
Grants, Subsidies and Contributions	3,507,456,172	3,997,456,172	+490,000,000
Indemnities	100,000	100,000	---
TOTAL BUDGET AUTHORITY BY OBJECT	3,658,390,537	4,158,390,537	+500,000,000

Head Start

Children and Families Services Programs

	1993 Appropriation	1993 Revised Estimate	Proposed Supplemental
Budget authority.........	$2,776,285,604	$3,276,285,604	+$500,000,000

Head Start Summer Program

Purpose and Method of Operations:

Head Start provides grants to local public and private non-profit agencies for comprehensive child development services to children and families. Intended primarily for preschoolers from low-income families, the program fosters the development of children and enables them to deal more effectively with both their present environment and later responsibilities in school and community life. Head Start programs emphasize cognitive and language development, social and emotional development, physical and mental health, and parent involvement to enable each child to develop and function at his or her highest potential. At least ten percent of enrollment opportunities in each State are made available to children with disabilities.

Head Start children receive comprehensive health services, including immunizations and physical and dental exams and treatment, and hot meals to help meet daily nutritional requirements. The Head Start program also emphasizes significant involvement of parents in their child's development.

The Head Start Act requires that at least 87 percent of Head Start's appropriation be distributed among States by formula. The total minimum allocation to Head Start programs within a State is based on the State's relative number of poor children, ages 0-5, and its relative number of children, ages 0-18, in families receiving AFDC benefits, as compared to all other States. The remaining 13 percent is used to fund: American Indian and Migrant Head Start programs; programs in the Territories; grants, contracts, and cooperative agreements for demonstration and evaluation; discretionary grants, as determined by the Secretary; and, the required 2 percent of Head Start's appropriation which must be spent on training and technical assistance activities.

Grantees must contribute 20 percent of the total cost of the program from non-Federal funds. The Secretary may waive all or part of the required match under certain circumstances.

In FY 1993, the Head Start Act was amended to expand the authority of the Secretary to waive the amount of matching funds required to be provided by particular Head Start agencies; and for other purposes.

Rationale for the Budget Request

This supplemental appropriation request will make available an additional $500 million for a summer Head Start program. This will allow up to 350,000 disadvantaged children (about half of the 1993-1994 school year Head Start population) and their families to receive the program's comprehensive services throughout the summer months, and will allow some children to participate on a full-day basis.

Funding a FY 1993 summer Head Start program will enrich Head Start, as pledged by the President. Currently, Head Start programs typically operate during the school year. This summer program will help children retain and continue the social and intellectual gains they made during the school year. These funds will employ approximately 50,000 Head Start staff, mostly low-income women. These funds will also make other enhancements to continue to expand and improve the Head Start program.

The $500 million in supplemental funds for summer Head Start will be used the following way:

- About $365 million will be used to continue serving Head Start children.
- To address quality and strain on management capabilities in the summer program as we do during the school year, we will provide:
  - $125 million for additional quality improvements, of which half ($62.5 million) will be used for salary and benefit increases, and the remaining $62.5 million will be used for: transportation, insurance, additional staff, facility and equipment improvements, and/or staff training as required by the Head Start Act.
  - $10 million for training and technical assistance.

	FY 1993	FY 1994	FY 1995
Budget Authority	$500,000,000	---	---
Outlays	$425,000,000	$75,000,000	---

SUBCOMMITTEE ON THE TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT APPROPRIATIONS

STENY H. HOYER, Maryland, *Chairman*

PETER J. VISCLOSKY, Indiana	JIM LIGHTFOOT, Iowa
GEORGE (BUDDY) DARDEN, Georgia	FRANK R. WOLF, Virginia
JOHN W. OLVER, Massachusetts	ERNEST J. ISTOOK, Jr., Oklahoma
TOM BEVILL, Alabama	
MARTIN OLAV SABO, Minnesota	

C. William Smith, Elizabeth A. Phillips, Robyn C. Bason, and Jennifer Mummert, *Staff Assistants*

Tuesday, February 23, 1993.

DEPARTMENT OF THE TREASURY

Internal Revenue Service

WITNESSES

MICHAEL P. DOLAN, ACTING COMMISSIONER
HENRY H. PHILCOX, CHIEF INFORMATION OFFICER
PHILIP G. BRAND, CHIEF FINANCIAL OFFICER
DAVID G. BLATTNER, CHIEF OPERATIONS OFFICER
GREGORY D. ROTHWELL, ASSISTANT COMMISSIONER (PROCUREMENT)

Introduction

Mr. Hoyer. We will now convene a hearing on the 1993 supplemental request of the President of the United States—his economic investment package. We are pleased to welcome to the Committee Mr. Michael Dolan and Mr. Hank Philcox, Chief Information Officer of IRS, and their testimony as it relates to the President's proposal for the Internal Revenue Service supplemental appropriation.

Mr. Dolan, welcome.

Mr. Dolan. Thank you, Mr. Chairman, nice to be back again so soon.

Mr. Hoyer. Can't stay away.

Mr. Dolan. That is right. With your permission, I would like to have my complete statement submitted for the record.

Mr. Hoyer. Without objection the entire statement will be included in the record.

Summary Statement of Mr. Dolan

Mr. Dolan. What I would like to do is pace myself at your speed. I will very quickly summarize the nature of the $148 million request that we presented in the supplemental appropriation and I am obviously anxious and willing to talk and go deeper as you want me to. I will do so fairly quickly.

Mr. Hoyer. All right, sir. Fine.

Mr. Dolan. Hank Philcox has introduced himself, I have Dave Blattner, our Chief Operations Officer with me, as well as Greg Rothwell our Assistant Commissioner for Procurement and Phil Brand, Chief Financial Officer to answer your questions on those areas.

What I would like to do for starters is to say in a nutshell we think we can intelligently use the supplemental that the President has proposed. We think we have the processes in place to intelligently spend $148 million and do it in a way that redounds directly to the benefit of the tax systems modernization approach as we described in some detail when we were here on the third of February. This benefit is in addition to the incentive it creates in the economy at large.

The supplemental basically accelerates the benefits in many of the tax system modernization applications which come later. It also allows us in some very key strategic places to avoid further risk in current operations, and I think, in a nutshell, it is very consistent with the way the organization has been trying to get its overall modernization in place. I think it allows us to also address some of the areas we talked about last time; the tax gap, accounts receivable, and it allows us to put more energy against some of the tax enforcement objectives we have.

I have each of the initiatives in the supplemental here and I have some bullets on each of the increments that make up the total.

Mr. Hoyer. Go through them quickly. That would be helpful.

Mr. Dolan. The first is something we call our microcomputer replacement.

Mr. Hoyer. Excuse me, in terms of your statement can I follow that along somehow? Is the title underlined?

Mr. Dolan. Yes, it is. It is capitalized. We will start with the minicomputers. This is also a $48 million increment, and it replaces 400 current obsolete minicomputers that were purchased in the early to middle 1980s. Most of them are at some stage of obsolescence. They don't meet, in many instances, government standards. We are paying $7 million a year to maintain them, and what we would do with this $48 million is to replace these platforms with machinery that will, in fact, run the TSM applications and also give us some near-term boost in some of the applications that are now running.

There are a total of about 3,400 applications that run on those computers around the country, and we would be able to take those applications, run them on the new gear, run them faster, more efficiently, and also have in place the kind of machinery we need to take this first batch of TSM applications.

The second increment for us is our modernization of telecommunications. That is about $25 million. I think, as the Committee well understands, your telecommunications equipment and network is a basic part of your infrastructure, and so many of the applications that we will ultimately put in TSM, as well as the near term applications we are putting in rely on the ability to have the switching equipment in place, the universal wiring, the telecommunications apparatus that will allow the data to move. There are also 1,200 additional work stations that will come with this.

These work stations will allow us to advance the program we talked to you about earlier, where we try to resolve more account questions on-line over the telephone. It will replace essentially dumb terminals with smart terminals. It will allow the front line assistor access to a much greater set of information, things like our corporate files on line which were among our early tax systems modernization applications, and 1,200 more of these terminals mean that applications become available to more front line people.

Examination automation is a $20.6 million increment. This represents being able to replace some portion of the lap top computers currently in the hands of revenue agents, ultimately 10,000, but this increment, I think, will buy about 6,000 replacements. Those lap tops in most instances were first distributed in the early 1980s. We will replace lap tops that very rarely had hard drives, often agents were required to use 12, 15 floppies to run more complicated applications. This will put in their hands state-of-the-art notebook types of lap tops. In addition, it will put 700 more powerful desk tops into the hands of our large case examiners, our international examiners, where you can run the more complex applications and basically up the horsepower that we are putting in the hands of our revenue agents who are involved in the full range of audits.

Automated inventory control system (AICS) is a $10 million increment. That represents our ability——

Mr. Hoyer. What was your examination automation amount?

Mr. Dolan. $20.6 million.

AICS is a $10 million increment. It allows us to build out more rapidly a pilot that we have installed in the Fresno Service Center. For first time, it gives us a comprehensive, automation-based capability to track and control the roughly 40 million pieces of correspondence that come into the Service Centers each year. It is a little embarrassing to say it represents the first time we will be in a position of having our correspondence under that kind of control. This investment will allow us to fully build out the pilot in Fresno and thereby accelerate the rollout of similar systems to other centers as a result of being able to get Fresno installed earlier.

Mr. Hoyer. Let me ask a question on that, Mr. Dolan. The 40 million pieces of correspondence each year from taxpayers inquiring about their accounts, how does that relate to one of the large credit card companies, like Visa, Chase, and the pieces of correspondence that they might handle in a year?

Mr. Philcox. I can't tell you with respect to the correspondence that actually comes in.

Mr. Hoyer. That does not relate to this request. Frankly, it relates to our last hearing and discussions that we have had since then about how these large credit card companies handle very large volumes of correspondence. Would their technology and experience be applicable?

Mr. Dolan. It is absolutely applicable. We have done some benchmarking of various component pieces of our tax system modernization. We are able to assess the correspondence ratio between what we get on live accounts.

Mr. PHILCOX. Credit companies get a lot more inquires via telephone calls than we do simply because they are more modernized and they can handle the telephone calls. This is the direction in which we are moving. We can benchmark against American Express, for instance, or Mastercard, all of those. This puts us into the same ball game that they are in with respect to the correspondence that comes in.

Mr. HOYER. Again, it is not, obviously, particularly on this proposal, but we are going to want to do some additional discussions on how that relates and see if we can get at the same kind of level of service ultimately that American Express gives its card holders.

Mr. DOLAN. We have taken that same general attitude with respect to the way we recast some of our business decisions. We are looking to benchmark our activities against organizations who are basically best in class, and try hard to approximate their same level of service for taxpayers.

Mr. HOYER. Excuse me, you were addressing automated call distributing.

Mr. DOLAN. The automated call distributor (AID) replacement is $5.9 million. What it does is essentially allow us to have a complete replacement of a series of call distributors at our telephone answering sites. We had previously replaced nine of these. This will allow us to put the last eight of that replacement phase in place. We will do this more quickly than we would have otherwise. Coming with this investment, though, is not just a trade out of technology. We are getting the additional capability, using the automated routing capacities of the new equipment that will take some of the traffic away from live assisters and into categories that the computer can assist and provide information thereby not tying up the more expensive time of an assister.

It will also help us this filing season to respond to more calls. As in the past couple of seasons, we have let a fair amount of our demand go unmet because of our incapacity to take on, more than the low 60, sometimes approaching high 60's, percent of the traffic that is out there. This equipment allows us to take that telephone traffic and spin some of it off into the machine assisted responses. The more complicated questions will be directed into the hands of live assisters.

The next increment is something we call Tele–Tax, a $4.7 million increment. It is a corollary of the ACD replacement. Tele–Tax is a specific computer system that is live 24 hours a day. It is designed to let people query the system on the status of their refunds as well as respond to the more basic tax law inquiries. We answered 32 million calls on that system last year. What this increment of $4.7 million will do is give us 22 new systems, expanding our capacity by 17 million calls. Some of those calls, again, will be calls that get relieved from phone assisters and allow us to meet better demand that comes across our gates for daily action.

The Integrated Collection System (ICS) is a $10 million increment. Again, it is an acceleration of something that has been in process for the last couple of years. In 1990 we awarded a contract that would replace ten-year-old mainframe equipment that supports our collection operator, most notably our automated collection sites. Annually those sites are responsible for about $3.5 billion worth of collections. We have six of those replaced so far. Three more were on the boards for our regular 1993 spending pattern, and this increment gets us the last two and completes installations.

The next item we call automated criminal investigation (ACI). It is a $5.7 million increment. The system represents our first sophisticated application of automation technology to criminal investigation work. It takes the whole range of what is now a heavily paperbound set of analyses, correlations, spread sheets, individual *ad-hoc* spread sheet applications, and puts it into the hands of our criminal investigators, a much more sophisticated way to both build their cases and track results.

This investment will pay for 22 minicomputers and the software for the initial installation of that automated criminal investigation.

Next is a $12 million increment known as automated workload management system. This system essentially puts us in the same position that most people running the sophisticated computer gear have been in for some time. It permits an automated way to schedule, to monitor, to track our actual computer resource. It is basically an in-house management capability for our vast computer system. It will allow us to make much better use of the total system capacity, something we now manage in a very manual-based and, frankly, inartful way.

Under the category of additional projects is our remaining $6 million increment. It allows for a voice and data integrated telecommunications system at one of our consolidated sites in Maryland where we will house together employees scattered across the metropolitan area. It also allows us to spend some money on increasing our ability to put tools into the hands of our visually impaired employees with voice synthesizer and screen magnification types of devices.

Lastly what it will spend is about $300,000 in the area of electronic research where we have a very successful prototype in place in Cincinnati in this area, and it allows us to spend $300,000 more developing that and increasing our ability to use electronic rather than manual research of court precedents, case law and the like.

Mr. HOYER. Is that the site in Oxon Hill?

Mr. DOLAN. Yes, it is. I have reviewed our proposals quickly, but I would bring my statement to this kind of conclusion. These increments all represent way stations on our path to TSM. We think the $148 million gives us an opportunity to accelerate the delivery of many of these applications and hardware as well as the benefits that come with them.

We think in the end it does redound to our ability to get at some underlying voluntary compliance issues. Clearly it augments our ability to afford a higher level of customer service nearer term than we would have had we not had this opportunity to get the additional $148 million shot in the arm in this fiscal year. With that I will be quiet and answer your questions.

[The prepared statement of Michael P. Dolan follows:]

Subcommittee on Treasury, Postal Service
and General Government
Committee on Appropriations
United States House of Representatives

Testimony of
Michael P. Dolan
Acting Commissioner of Internal Revenue

February 23, 1993

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before you today to discuss the Internal Revenue Service's portion of the President's request for supplemental funds to stimulate the economy. This statement describes how we plan to effectively use the $148.4 Million in fiscal year 1993. These investments will accelerate purchases that are critically needed to replace antiquated equipment and will position us for the implementation of Tax Systems Modernization (TSM). We want to emphasize that this is not a request for additional funds; rather it is a request to accelerate funding for projects or equipment that would have been installed at a later date. With me today are Hank Philcox, Chief Information Officer; Dave Blattner, Chief Operations Officer; and Phil Brand, Chief Financial Officer.

Introduction

The additional dollars for fiscal year 1993 will fund procurements of computer and telecommunications equipment and services. This will support Tax Systems Modernization and will help us sustain critical systems that assist us in reducing accounts receivable and the tax gap and support other essential operations.

These funds will enable us to replace aging equipment with state-of-the-art equipment that supports new TSM systems now being designed. In testimony before this Subcommittee earlier this month, we stated that we must fully maintain current systems as we transition to new ways of doing business. The equipment and services to be purchased with this supplemental will ensure that we can run current systems in parallel with new systems as we transition to new TSM systems.

You will recall from my last appearance before this Subcommittee that TSM is a monumental effort to change the way IRS will conduct business in the 21st century. When fully implemented in 2001, TSM will provide better, faster, more accurate service to taxpayers at a lower cost to the government. We believe that the requested funds can be spent wisely, and will allow us to progress in a very logical way toward TSM by giving us a jump start on some of the key infrastructure components of TSM.

FY 1993 Supplemental Request

The new Administration set two goals for the formulation of our supplemental request: the funds must be obligated this year and they must be utilized for projects that make good long-range sense. I believe we have developed a proposal that satisfies both of those basic requirements while providing additional benefits. At this time, I would like to briefly discuss the specifics behind our proposal and the benefits that will be achieved.

Mini-Computer Replacement $48.2 Million

Currently, we have in operation over 400 mini-computers that were originally installed in our district offices and service centers during the early 1980s. This equipment does not meet government standards, has become technologically obsolete, and is costing us over $7 million a year to maintain. We depend on this equipment to run over 3,400 field applications that are crucial to our Examination, Collection and Human Resources functions. With new equipment, we will be able to support consolidation of these applications into nationwide systems that are uniform throughout our field organizations.

To date, we have not had the financial resources to replace the obsolete equipment and fully implement the necessary consolidations. Additional funding from this supplemental would allow us to purchase equipment that conforms to current government and IRS standards, significantly reduce our maintenance costs and minimize the risk of systems failure. More importantly, the equipment we intend to acquire will support all of our TSM applications. Therefore, these funds will give us a jump start on the installation of our TSM architecture.

Telecommunications Modernization $25.3 Million

The cornerstone of modernization is an efficient and effective telecommunications system that allows us to provide the most current information to authorized employees on a timely basis. The IRS began to upgrade the Consolidated Data Network (CDN) to support TSM initiatives in FY 1992 and the installation of equipment and circuits has continued during FY 1993. Funds provided by this supplemental request would allow us to move forward at a more rapid pace to acquire and build important TSM telecommunication infrastructure components. We intend to purchase equipment and software to install universal wiring in a number of our field offices that would provide vital information access to our case workers. Universal wiring positions us for TSM since it meets all standards for our TSM and security architecture and avoids the need for costly rewiring whenever we install new applications.

Additionally, the requested funds would be used to purchase 1,200 modern workstations which will replace obsolete Integrated Data Retrieval System terminals used to access tax information. Taxpayers and the IRS have already realized significant benefits from our Corporate Files On-Line (CFOL) initiative, which provides on-line access to taxpayer account data. However, we are limited by the number of TSM-compatible terminals. In addition to replacing outmoded equipment, we will expand the number of workstations available to access this important information and further improve our service to the taxpaying public. This effort will also expand our ability to resolve taxpayer inquiries during their first contact with IRS.

Examination Automation **$20.6 Million**

The first portable computers that the IRS purchased for our field examiners in the 1980s are now obsolete. We currently have plans to replace 10,000 of these 16,000 antiquated machines with state-of-the-art notebook computers. Approval of this supplemental request would not only allow us to complete the purchase of the 6,000 remaining notebook computers this year, it would also enable us to provide 700 new desk top computers for the agents who examine the largest corporations, including those with complex international issues. This new equipment will provide more sophisticated computer capabilities, thereby allowing an increase in both the efficiency and effectiveness of our field personnel. This equipment will also enable agents to receive information directly from taxpayers' computerized systems and will expedite analysis of sophisticated accounting and tax issues.

Automated Inventory Control System (AICS) $10 Million

We are currently piloting a system at our Fresno Service Center that automates the tracking and controlling of taxpayer correspondence. Nationwide, we receive approximately 40 million pieces of correspondence each year from taxpayers who are inquiring about their accounts, trying to resolve a problem or reporting critical account information. Over the years, we have had numerous complaints that we have not been timely in responding to such correspondence. In some instances, taxpayers have stated that they never hear back from us and must write several letters to get a response.

When fully installed, this system will satisfy taxpayers' needs both quickly and efficiently. The system allows us to associate all correspondence from a particular taxpayer, control it by the specific issue, route it to the appropriate function for action and ensure that it is answered in a timely manner. Funds requested in this supplemental will be used to acquire all the remaining workstations and telecommunications equipment required for our Fresno Service Center and complete the pilot test by early next year. If the test produces the taxpayer benefits we expect, our plans call for proceeding with nationwide installation.

Automated Call Distributor Replacement **$5.9 Million**

In order to continue improving the handling of taxpayers' telephone calls, we are requesting funds to replace aging Automated Call Distributor equipment at eight call sites in addition to the nine that are already being replaced during FY 1993. The current equipment, which is used to manage incoming telephone traffic, is past its useful life and maintenance costs are high. The new equipment provides taxpayers with the ability to route themselves through the system using menu options. Additionally, taxpayers who request current year refund information can be automatically routed to the Tele-Tax system without delays. Automating repetitive call-answering tasks enables us to respond to more taxpayer inquiries.

Tele-Tax **$4.7 Million**

The Tele-Tax system allows taxpayers to receive recorded tax and refund information 24 hours a day. In 1992, Tele-Tax answered 32 million calls. The funds requested would allow us to purchase 22 new systems, answer 17 million additional calls, replace aging systems, expand service for the deaf, and add voice recognition options for rotary phone users. Use of automated systems such as Tele-Tax allows IRS to concentrate its trained tax assistors on the resolution of complex technical tax law inquires and account problems.

Integrated Collection System (ICS) $10 Million

In December 1990, IRS awarded a contract to replace the ten year old mainframe equipment supporting our Collection program. This program is a first point of contact with the taxpaying public, annually representing collections of over $3.5 billion. To date, we have been able to install six state-of-the-art mainframes. We have purchased three more for FY 1993 installation. This supplemental request would allow us to purchase the final two mainframes in FY 1993 and install them early in FY 1994, thereby hastening our timeline. This will result in opportunity savings and increased efficiency and effectiveness. The installation also allows us to add software enhancements, which have been on hold for five years. In addition, the new mainframes are compatible with the TSM architecture.

Automated Criminal Investigation (ACI) $5.7 Million

Currently, our special agents/criminal investigators manually gather, correlate, index and analyze the large volumes of financial data collected while developing criminal cases. We have been working towards developing automated applications that would support our criminal investigators. This request would allow us to purchase 22 minicomputers and related software that would provide the initial increment for this project.

Specifically, this procurement will permit the service to improve criminal investigators' ability to manage and analyze the large volume of evidence encountered in financial crimes, improve security and foster the coordination of multi-district investigations. This early installation of a portion of the ACI system will also improve the utilization of existing hardware and accelerate the full system implementation by 6 to 12 months. Also, the equipment purchased would be fully compatible with TSM and fulfill the design requirements for the TSM architecture.

Automated Workload Management System (AWMS) $12 Million

With the ever increasing workload and complexity of tax processing, proper management of the IRS computer operations is essential. We have been managing our computer operations manually for many years. Therefore, the scheduling of computer runs, tracking of progress and documenting of all computer run requirements and histories is both error prone and labor intensive. The Automated Workload Management System has been designed to provide our computer operations workforce with automated tools that schedule work accurately and efficiently and allow us to react quickly when problems occur. It also provides an automated monitoring system for computer traffic, which in turn allows for a significant staff reduction.

Private sector companies have long ago automated computer operations, but IRS has not had the financial resources to implement such a system. We must put an automated system in place to avoid the problems that occur with a manual system and to also free up computer personnel now required by the manual process to do Tax Systems Modernization work. Funds provided by this supplemental request would in part be used to acquire the equipment and support services necessary to complete the development and installation of this new system.

Additional Projects **$6 Million**

In addition to these projects, we are seeking support for the following.

- An integrated voice and data communications system which will be used in the suburban Maryland site where we are consolidating our current returns processing and procurement operations. This system will provide high speed data services over standard telephone lines.

- Equipment for visually impaired employees that enables them to perform their job through the use of electronic braille terminal displays, voice synthesis apparatus and braille embossers.

- An electronic research service to allow IRS employees to find answers to technial tax questions more quickly, provide accurate and thorough analyses and reduce the risk of providing incorrect or misleading information to taxpayers.

Conclusion

Mr. Chairman, I firmly believe the Internal Revenue Service can wisely spend the supplemental funds that we have requested today. At this time, we believe our current contracts can be modified to accommodate these additional investments. These funds are needed to maintain our current operations and to sustain the momentum we need to achieve a modernized tax administration system that will meet the needs of the American taxpayer. The Internal Revenue Service appreciates your Subcommittee's continuing support and involvement in our effort to change the way we do business through Tax Systems Modernization.

This concludes my prepared remarks, Mr. Chairman. I would welcome any questions from you or any of the members.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF TREASURY

INTERNAL REVENUE SERVICE

Information Systems

For an additional amount for "Information systems," $148,397,000, to fund procurement of computer and telecommunications equipment and services.

This supplemental request would fund implementation of tax system modernization (TSM) projects and replacement of antiquated equipment with TSM-compatible technology.

This proposal would result in increased obligations of $148 million in FY 1993 and would increase FY 1993 outlays by $104 million. An estimated 830 jobs would be generated by this proposal in FY 1993 and FY 1994.

FEDERAL ENERGY MANAGEMENT PROGRAM (Continued)

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICE

Federal Buildings Fund

For an additional amount for the "Federal Buildings Fund," $4,696,000 for additional projects to improve energy efficiency at General Services Administration facilities.

These supplemental proposals for facility energy management projects at the Departments of Defense, Energy and Veterans Affairs, and the General Services Administration (totaling $12 million) are part of a $19 million Federal Energy Efficiency package that includes an additional $6.8 million that would be provided from the Department of Energy's "Energy conservation" supplemental proposal included in this transmittal. The goal of the entire program is to increase the energy efficiency of Federal buildings and facilities. It is the first step in a funding ramp-up being proposed as an investment initiative that will multiply by two and a half times the current rate of spending on Federal energy efficiency improvements. The largest energy-consuming agencies -- the Departments of Defense, Energy, and Veterans' Affairs and the General Services Administration, in that order -- will receive direct appropriations. All other agencies will be served by a central fund managed by the Department of Energy's Federal Energy Management Program. The individual agency appropriations will generally be in proportion to each agency's share of Federal facility energy consumption, although in this first year as an economic stimulus the ratios have been adjusted based on capability for spending the funds quickly.

The total Federal facility energy efficiency package would result in increased obligations of $19 million in FY 1993 and would increase FY 1993 outlays by $11 million. An estimated total of 80 new jobs would be generated by this proposal in FY 1993 and FY 1994.

TIMETABLE FOR EXPENDITURE

Mr. **Hoyer**. Thank you. Assuming that this supplemental passes within the next two weeks, how soon will you have the $148 million out the door?

Mr. **Dolan**. Well, I would like to answer that in a couple ways. One is we think we have today the procurement vehicles that allow us to obligate the $148 million. To some degree, how soon it is out the door is a function how soon manufacturers on the other end of those contracts are able to respond to our placement of orders. Quite frankly, we haven't had the lead time to go back to each of those vendors. However, we are talking, in most cases, about large vendors who have an existing manufacturing capacity, and I think at the point they got an order, they would commit their hiring patterns and reengineering in a way to be able to deliver. So, when the whole $148 million can go out the door is hard for me to answer, but the entire amount would all get obligated in this fiscal year.

Mr. **Hoyer**. In talking to the Director of the Office of Management and Budget, his premise is that they want this money to move within 90 days. Unlike other recessions where jobs started to be created, we have a relatively flat stream of job creation at this point in time.

The objective of this program is obviously to do some things we need to do and do them more quickly than we would have otherwise for the purposes of giving the economy a stimulus to get this currently shallow recovery on a more firm footing.

Therefore it becomes important that the process will work quickly because the amount of monies we are talking about is relatively small in a $6 trillion economy. The speed with which we are able to act will be the key in terms of stimulus.

Mr. **Dolan**. We think we can respond to the need for speed in a couple ways. We will need some help. I have every reason to believe we will get help from the GSA in getting whatever extensions of the delegations of procurement authority required to actually get the money committed. But in many cases of, for example, the first item I talked about, the additional minicomputers, this purchase a matter of using a standing contract that exists with AT&T today where we can place an order with them. I doubt they have 400 such systems on the shelf, but they sure as heck have a manufacturing line capable of responding to that kind of order from us. The same thing is true for our ACDs, our automatic call distributors. We have a standing contract, and the vendor has a manufacturing line that when we say we want to increase the order by a certain amount, my guess is that it is merely a matter of their responding very quickly.

JOB CREATION

Mr. **Hoyer**. Would your presumption be that the vendors will have to add to their production line employees to respond as quickly as you are going to ask them to respond?

Mr. **Dolan**. We have worked with the Office of Management and Budget mostly, based on the data we have supplied them, I think

OMB projects something like an 800 job impact for this individual piece of the stimulus.

Mr. HOYER. So we are projecting, for the $148 million we are going to spend, not only do we get the products that we will buy in any event, but we will create an additional 800 jobs in the process?

Mr. DOLAN. That is my understanding based on the analysis that the Office of Management and Budget has done with the data we have supplied them on where the contracts would go. I guess the other thing I would add is you also bring on line the benefits to the taxpayer of these things such that you reduce this burden and you are also getting, hopefully, some compliance kick for this.

Mr. HOYER. I think this is a win-win-win situation. I don't think there is any doubt about that.

Mr. DOLAN. Sure.

Mr. HOYER. Mr. Lightfoot, would you like to ask a question?

NEED FOR ADDITIONAL FUNDS

Mr. LIGHTFOOT. Certainly. Thank you, Mr. Chairman. I have an opening statement I would like unanimous consent to put in the record if we could. I will get back to him in a minute.

I guess one of the things that I have a question about—well, several things I have a question about and also some Mr. McDade has sent along as well.

This is supposedly an emergency package that we are going to be marking up and voting on, and it gets into the definition of emergency. I had an old friend at home who lost his farm in the recession in the mid 1980s, and the comment he made to me was that when you are up to your eyeballs in red ink, you don't get out of it by going out and borrowing more. In essence, that is what we are asking to do, go out and borrow all the money that we are going to put into the package, and perhaps we could justify it if we could define the term "emergency" better.

As you mentioned, some of these things you talked about are things that are already on line that you were thinking about purchasing anyway, so how do you apply the term "emergency" to what you have asked for today?

Mr. DOLAN. I am not sure I will give the best definition of emergency, but what I would say is that the underlying need that drives tax system modernization is an emergency in the terms we talked about in here the last time we testified; $127 billion worth of tax gap and $28 billion plus or minus of accounts receivable, and volumes of tax payer request traffic unmet. That is what underlies the whole approach to tax system modernization. And I would say what this investment gets at the heart of some of those problems a lot quicker than we would have without this stimulus. That would be the way I would try to cast it as living up to the label of emergency.

Mr. LIGHTFOOT. Would any of the things that you have requested, had they went ahead and just been put in your fiscal year 1994 request, can you gauge to any degree—you had mentioned 800 jobs that the computer order would possibly create. Of course, once those 400 extra computers are built, is there still work there for those people at the end of that order?

I guess my question is, why couldn't this request be put in fiscal year 1994 as opposed to going into this as emergency money that we have to borrow up front?

Mr. DOLAN. Some components of it would have been in 1994 because this represents in the main an acceleration of acquisitions that we need to make in order to bring tax system modernization on line. I guess if it is doable from a human and dollar point of view, the sooner we could get these applications on line, the better, but behind this wave of purchases is still several years of tax system modernization acquisition that I am sure we will talk about time and time again before this Committee.

Mr. LIGHTFOOT. Okay, I am just asking you questions I am going to get asked when I get home, okay?

Mr. DOLAN. Sure.

IMPACT OF SUPPLEMENTAL ON BASELINE FUNDING

Mr. LIGHTFOOT. Another thing that affects our Committee is that typically when we have had emergency appropriations in the past, that suddenly becomes a base line or part of the base line for the following year. Does that mean that we are going to jump IRS's base line $148 million automatically or how do you view that?

Mr. DOLAN. I think this is a truth in lending issue. You as a Committee have tracked our total TSM acquisition costs, and this is a place where an investment that was accelerated this year is something that would not be necessary in a subsequent year, so it is not a net incremental increase to what tax system modernization will cost the country. It is an acceleration of the costs into this year.

Mr. LIGHTFOOT. A lot of what you are buying is equipment, which obviously we are all in agreement that you certainly need to come at least into the 20th century on computer equipment. Assuming that this passes and we get all this new computer equipment and we get it in place and so on, the operating costs in the outyears have you looked at how that would affect your budget? Is it going to increase it, decrease it or have you had an opportunity to study that yet?

Mr. DOLAN. I would like to give you a more comprehensive answer. However, for the last several fiscal years, we have been giving back productivity savings in our budget as a result of investments made. To the extent that these accelerate some of those investments, it would also accelerate the give-backs that we have been making right along.

JOB CREATION

Mr. LIGHTFOOT. You mentioned jobs a minute ago, that the computer order was hopefully translated into 800 jobs. Have you applied that evaluation to any of the other systems that you are thinking about buying and updating and so on? Do you have any figures for that?

Mr. DOLAN. You mean for the longer term tax system modernization?

Mr. LIGHTFOOT. You are talking about buying 400 computers which would create maybe roughly 800 jobs. Have you looked at the other——

Mr. DOLAN. I misled you. I meant the total $148 million increment has been translated into 800 jobs.

Mr. LIGHTFOOT. I misunderstood.

Mr. HOYER. Just for the record, I have 830.

Mr. DOLAN. I think that is right.

Mr. HOYER. The actual figure is 830 that they are using.

Mr. LIGHTFOOT. But that is the whole package. Okay, I am sorry, I misunderstood your answer. One of the things that we found in history that GAO said that no more than 35 percent of the people employed on the projects due to the 1983 Emergency Jobs Act had been previously unemployed.

Have you done any research into these 830 jobs, whatever it might be? Are these people that are currently unemployed or will it be expanding jobs of people that are already on line? Have you examined that side of it at all?

Mr. DOLAN. We have not. We have spent most of our time trying to figure out how issues related to acquisition. I think OMB did more of the work on the jobs applications.

Mr. LIGHTFOOT. I guess maybe the $64,000 question is that if we are looking for stimulus, and creating new jobs, are these things targeted in any way towards areas that have chronic unemployment or high unemployment, because I have a State where we have 3 or 4 percent, and yet I have a couple counties that are up 10 or 11 percent unemployed, so you kind of have to micromanage some of these things.

Mr. DOLAN. We could give you some sense of where we would expect those orders to fall out, but ultimately we have not worked up any detail nor do we have the ability to say to a vendor your jobs are going to go X, Y or Z site, but we know where the major subs are, and we could give the committee some feel about how this $148 million would go into the existing contracts.

Mr. LIGHTFOOT. I think that would be helpful and on all this stimulus package, even for the President to see, does this create X number of jobs here, there or where do these jobs go? I think that would be very helpful in that respect.

ADMINISTRATIVE COSTS OF THE SUPPLEMENTAL

One other question, and again some of these came from Mr. McDade who was unable to be here today. As far as these new proposals are concerned, what do you see as the administrative cost that put these in place and how will those be paid for?

Mr. DOLAN. Well, again, I assume by your question you mean the actual process of procuring them and installing them?

Mr. LIGHTFOOT. Right.

Mr. DOLAN. What it represents again is some acceleration of those costs, but we have in place—since we have in place the contractual vehicles, the project staffs. Because tax system modernization is a multiyear apparatus, we do not have to build a lot of overhead around the process of acquiring these incremental investments and getting them installed because we have got that apparatus essentially in place and it has been in place for the last three or four years. So, it would not represent much of an incremental administrative cost for us to be able to put this money through the existing vehicles and into the existing projects. In a couple of them it represents just really bringing to a close projects that have already had all of the up-front costs been spent essentially.

Mr. LIGHTFOOT. Well, Mr. Dolan, thank you for your testimony today, and Mr. Chairman, thank you. While you were talking to staff, I asked unanimous request to put an opening statement in the record.

Mr. HOYER. Without objection. Any more additional questions?

Mr. LIGHTFOOT. Only one, just a little clarification on the jobs, a breakdown on where those are distributed. I think that would be quite helpful to all of us.

Mr. DOLAN. I would be happy to supply it to you within 30 days.

Mr. HOYER. Mr. Visclosky.

TIMETABLE OF TAX SYSTEMS MODERNIZATION

Mr. VISCLOSKY. Thank you, Mr. Chairman. Mr. Dolan, in terms of the tax modernization system, what is the last outyear when that system is to be in place? Refresh my recollection. Is it 20 something?

Mr. PHILCOX. Well, our plans now call for installing the main increment by the year 2001. Our life cycle, however, goes through 2008, so we will be adding applications and that sort of thing. I guess in one sense it is never done because, when you get to that point, you are always going to have new technology that will apply, but 2001 is where our planning increment would get us.

Mr. VISCLOSKY. In terms of the acceleration that this supplemental would represent, the $148 million, we are not necessarily going to be talking about taking $148 million off the top for 1994, but theoretically $148 million adjusted for present value of that money in 2001, we are just moving a whole block forward in that this would not represent any reduction in your 1994 request?

Mr. PHILCOX. That is correct.

Mr. VISCLOSKY. Okay. Thank you, Mr. Chairman.

Mr. HOYER. Mr. Darden.

BUY AMERICAN PROVISIONS

Mr. DARDEN. Just one brief question. Mr. Dolan, what are your policies toward making purchases of this type from American or domestic vendors and what do we expect and so forth in procuring these items being done toward American manufacturers?

Mr. DOLAN. I think I might give you the best answer by yielding to my Assistant Commissioner for Procurement, who could give you a more expert answer.

Mr. ROTHWELL. I am Greg Rothwell. We do follow the Buy American Act. For most of the contracts we have in place right now, a large percentage of the dollars would go to American firms. There is one contract that is providing Japanese-made personal computers, which is in accordance with the trade agreement, but most of the dollars of the $148 million would be dollars that would go to American firms.

Mr. **Darden**. As a brief follow-up, are there any products or goods or services here not available from American manufacturers which are being a part of this request?

Mr. **Rothwell**. No, sir. Everything we are buying is made in the United States.

Mr. **Darden**. Okay. Thank you. Thank you, Mr. Chairman.

CONCLUSION

Mr. **Hoyer**. Okay. Any other questions? Mr. Dolan, thank you very much. I want to reiterate that I think if you are going to have a stimulus package, it sure makes a lot of sense to have a stimulus package doing something that you know you have to do.

Mr. Visclosky made a very good point. What we are not necessarily doing is saving next year. We are in effect pushing the whole program from 2001 forward, so you may complete it in the year 2000, but just as important we are enhancing a system that we know must be enhanced if it is going to work properly. So I think this particular program, as I said, is a win-win-win for everybody in this situation, and I think it will have some stimulus effect. How big an effect we don't know.

I think Mr. Lightfoot raised some questions that are serious questions. Probably nobody has the finite answer on that, but it seems to me to be a reasonable effort. We thank you for your testimony and appreciate your participation.

Mr. **Dolan**. Thank you.

Tuesday, February 23, 1993.

GENERAL SERVICES ADMINISTRATION

Public Buildings Service

WITNESS

P. GERALD THACKER, ACTING COMMISSIONER, PUBLIC BUILDINGS SERVICE

Introduction

Mr. **Hoyer**. We now go to General Services Administration. This will be testimony as it relates to the supplemental appropriation of $4.696 million, which is a portion of the $19 million Federal energy efficiency package. Glad to have you with us.

Mr. **Thacker**. Good afternoon, Mr. Chairman, and members of the subcommittee. Again my name is Gerald Thacker. I am acting as Commissioner of the Public Buildings Service and am here to speak to you today about our portion of the economic stimulus bill, which as you said, represents slightly less than $5 million. I have a more extensive statement about how we would propose to spend that money which I would ask that you enter into the record.

In light of the time frames in which you are working this afternoon—perhaps I could summarize very quickly the nature of the supplemental request.

Mr. **Hoyer**. We want to make it clear that we want to give everybody an opportunity to understand what we are doing.

Mr. THACKER. Absolutely.

Mr. HOYER. We are going to take such time as we need for questions to know what we are doing.

SUMMARY STATEMENT OF MR. THACKER

Mr. THACKER. I would be quite pleased to answer any questions that you or members of the subcommittee might have. The $5 million supplemental request will permit us to install a number of energy efficient projects in our buildings, largely with pay back of less than five years. They would include installing energy efficient lighting, motors, heating, ventilation and air conditioning equipment, energy management and control systems, and other energy and water-conserving technologies in public buildings.

GSA is quite proud of its record in the energy conservation area and public buildings under General Services Administration's direction are presently using something in the neighborhood of 38 percent less energy than other Federal buildings, so it is a program we are quite proud of and quite pleased to have an opportunity to accelerate should this bill pass. I would be happy to answer any specific questions, sir, that you might have.

[The prepared statement of P. Gerald Thacker follows:]

STATEMENT OF
P. GERALD THACKER
ACTING COMMISSIONER
PUBLIC BUILDINGS SERVICE
GENERAL SERVICES ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON TREASURY, POSTAL SERVICE
AND GENERAL GOVERNMENT
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES
FEBRUARY 23, 1993

GOOD AFTERNOON MR. CHAIRMAN, AND MEMBERS OF THE SUBCOMMITTEE. THANK YOU FOR INVITING THE GENERAL SERVICES ADMINISTRATION'S PUBLIC BUILDINGS SERVICE TO APPEAR BEFORE YOU TODAY TO DESCRIBE OUR PORTION OF THE PRESIDENT'S ECONOMIC STIMULUS PACKAGE. WE APPRECIATE THE PRESIDENT'S CONFIDENCE IN THE PUBLIC BUILDINGS SERVICE AND ARE COMMITTED TO DOING OUR PART TO MAKE HIS PROGRAM A SUCCESS, NOT JUST FOR THE PUBLIC BUILDINGS SERVICE, BUT FOR THE FEDERAL AGENCIES HOUSED IN OUR FACILITIES AND FOR THE AMERICAN PUBLIC.

MR. CHAIRMAN, WHEN I CAME BEFORE THIS SUBCOMMITTEE A WEEK AGO, I BRIEFLY DESCRIBED THE PUBLIC BUILDINGS SERVICE'S REAL PROPERTY PROGRAM, AND I WANT TO TAKE A MOMENT TO EXPAND ON ONE ASPECT OF IT -- OUR ENERGY EFFICIENCY PROGRAM.

ACCORDING TO THE MOST RECENT DEPARTMENT OF ENERGY REPORT TO CONGRESS, FEDERAL GOVERNMENT ENERGY MANAGEMENT AND CONSERVATION PROGRAM, THE PUBLIC BUILDINGS SERVICE HAS BEEN, AND CONTINUES TO BE, ONE OF THE LEADERS IN CONSERVATION EFFORTS. ACCORDING TO THE DEPARTMENT OF ENERGY, THE PUBLIC BUILDINGS SERVICE CONSUMES ABOUT 38 PERCENT LESS ENERGY PER SQUARE FOOT OF SPACE THAN THE GOVERNMENT-WIDE AVERAGE.

LAST YEAR, THE CONGRESS AND THE PRESIDENT APPROVED MAJOR NEW ENERGY LEGISLATION, THE ENERGY POLICY ACT, WHICH PRESENTS THE PUBLIC BUILDINGS SERVICE AND OTHER PROPERTY HOLDING AGENCIES WITH CHALLENGING CONSERVATIION GOALS.

THE PUBLIC BUILDINGS SERVICE CURRENTLY INVESTS $30 MILLION ANNUALLY IN ENERGY CONSERVATION. THE GENERAL SERVICES ADMINISTRATION'S SHARE OF THE PRESIDENT'S ECONOMIC STIMULUS PROGRAM OF $5 MILLION WILL ASSIST THE PUBLIC BUILDINGS SERVICE TO

MAKE ADDITIONAL PROGRESS TOWARD THE GOALS SET IN THE ENERGY POLICY ACT.

OPPORTUNITIES TO CONSERVE ENERGY AND WATER IN FEDERAL BUILDINGS CONTINUE TO DEVELOP AS NEW TECHNOLOGIES ARE INTRODUCED INTO THE MARKETPLACE. OUR EXPERIENCE HAS SHOWN THAT THERE ARE NUMEROUS CONSERVATION OPPORTUNITIES IN FEDERAL BUILDINGS WHICH WOULD PROVIDE A RETURN ON INVESTMENT OF FIVE YEARS OR LESS. WITH THIS SUPPLEMENTAL APPROPRIATION, THE PUBLIC BUILDINGS SERVICE WOULD PROPOSE TO USE A DESIGN-BUILD APPROACH UTILIZING PRIVATE SECTOR CONSERVATION CONSULTANTS AND ARCHITECT/ENGINEER FIRMS TO IDENTIFY AND DESIGN THE CONSERVATION PROJECTS. THESE PROJECTS WOULD THEN BE INSTALLED IN FEDERAL BUILDINGS BY PRIVATE SECTOR CONSTRUCTION FIRMS.

ADDITIONALLY, EFFORTS TO DEVELOP CONSERVATION PROJECTS WOULD BE FOCUSED ON AREAS OF THE COUNTRY WHERE WATER AND POWER COMPANIES OFFER REBATES AND OTHER INCENTIVES TO ENSURE THE BEST VALUE FOR EACH TAXPAYER DOLLAR SPENT.

THE $5 MILLION SUPPLEMENTAL APPROPRIATION WILL PERMIT THE INSTALLATION OF ENERGY-EFFICIENT LIGHTING, MOTORS, HEATING, VENTILATION AND AIR-CONDITIONING TECHNOLOGIES, ENERGY MANAGEMENT AND CONTROL SYSTEMS, AND OTHER ENERGY AND WATER CONSERVING TECHNOLOGIES IN OUR BUILDINGS.

IN ADDITION TO THE ENERGY AND WATER CONSERVATION IMPLICATIONS, AND THE RESULTING POSITIVE ENVIRONMENTAL EFFECTS FROM REDUCED CONSUMPTION OF NATURAL RESOURCES AND CLEANER AIR, A SUPPLEMENTAL APPROPRIATION OF THIS NATURE WILL ALSO CREATE NEW JOBS IN THE PRIVATE SECTOR. WE ESTIMATE THAT 10 NEW JOBS WILL BE CREATED FOR EVERY $1 MILLION SPENT, OR A TOTAL OF 50 NEW JOBS.

MR. CHAIRMAN, IF THESE FUNDS ARE TO PROVIDE AN EFFECTIVE ECONOMIC STIMULUS, THE GENERAL SERVICES ADMINISTRATION WILL REQUIRE SOME FLEXIBILITY IN EXPENDING THEM.

AGAIN, MR. CHAIRMAN, THANK YOU FOR INVITING THE PUBLIC BUILDINGS SERVICE TO APPEAR BEFORE YOU TODAY. WE APPRECIATE YOUR CONTINUING INTEREST IN OUR PROGRAM. I WOULD BE PLEASED TO ANSWER ANY QUESTIONS THE SUBCOMMITTEE MAY HAVE.

JOB CREATION

Mr. Hoyer. Thank you very much, sir. Considering this is an established program, how quickly do you anticipate getting these funds into the economy in the form of jobs?

Mr. Thacker. We hope to use a procurement technique called design-build, which means essentially that in a single contract we would ask a contractor to design the project and then be responsible for actually installing any of the equipment as well. We anticipate that we could certainly obligate probably the entire amount of money this fiscal year. We are already spending in the neighborhood of $30 million a year on energy conservation, and this $5 million would supplement that.

Probably in terms of actual outlays, that is funds spent, of that perhaps a million dollars in additional funds would go into the economy this fiscal year, perhaps more, depending on the nature of the specific projects.

Mr. Hoyer. I will withhold any further questions. Mr. Lightfoot.

Mr. Lightfoot. Thank you, Mr. Chairman. I would like to thank you for coming back, and Mr. Chairman, I am pleased to report to you today that through the GSA at our district office back in Iowa that we have cut the rent in half. That helps deficit reduction. We had a contract or we had an agreement with the Postal Service, and GSA went back in and negotiated the contract, and we cut the rent in half.

Mr. Hoyer. Excellent.

Mr. Lightfoot. A small bit of progress there. Mr. Thacker, obviously no one is in opposition to making buildings more energy efficient. I think it just makes good sense for all of us. It saves money in the long run. It is a safer place for people to work. The whole idea is very laudable.

In your testimony you said ten new jobs would be created for every million dollars spent or a total of 50 new jobs. Could you just roughly give me an idea of what that is predicated on. Is it new jobs within GSA or new jobs within the energy efficiency business or in which area are you looking?

Mr. Thacker. It would be new jobs in the private sector. We would, of course, be using private firms, again, to design and then install the equipment to be used, and, of course, we would anticipate some additional manufacturing jobs would come out of this, as well. I think, to answer the question of how the numbers were developed, I believe they were developed using an economic model that projects the number of jobs created in the private sector with this kind of a construction project, which is a fairly small kind of construction project, but somewhat equipment intensive.

Mr. Lightfoot. Thank you very much. Mr. Chairman, I yield back the balance of my time.

Mr. Hoyer. Mr. Visclosky.

FINANCIAL STATUS OF CURRENT PROGRAM

Mr. Visclosky. Thank you, Mr. Chairman. Mr. Thacker, in your testimony you indicated that Public Building Service currently invests $30 million annually. If I could ask you, for fiscal year 1992, and fiscal year 1993, how does that verbiage relate in terms of what you have obligated for energy efficiency and what the outlays have been? I would also ask, and I assume the subcommittee staff knows, what the appropriations were for the last two fiscal years?

Mr. THACKER. I will provide estimated outlay information to you within 30 days. In general, though, I can describe what we have obligated if that would be helpful for those years, and it has, again, averaged about $30 million a year, and we expect to do the same in 1993.

Mr. VISCLOSKY. Do you know what the appropriations for those two years would have been?

Mr. THACKER. GSA does not receive a direct appropriation for energy efficiency projects. However, since fiscal year 1990, GSA has set aside a portion of our repair and alterations funds, annually, for these projects.

For fiscal year 1992 we estimate obligations of $30 million and we plan an additional $30 million in obligations in fiscal year 1993.

OBLIGATION OF FUNDS

Mr. VISCLOSKY. What is your sense in terms of the fiscal year we are in today, if we are talking about an average of $30 million, as to how much today is unobligated.

Mr. THACKER. Of the $30 million today? I would be making a very rough guess, but the pattern with which these obligations are made is somewhat skewed towards the end of the fiscal year, so my guess would be that probably two-thirds of the funds are actually obligated in the third and fourth quarters of the fiscal year.

Mr. VISCLOSKY. So at this point in time you probably—for fiscal year 1993—have a third of those funds actually obligated?

Mr. THACKER. That would be my guess. We will be able to give you something specific within 30 days. We would expect we could obligate all of the $5 million in the supplemental request by the end of this fiscal year and actually outlay a million of that five.

Mr. VISCLOSKY. If that ratio would hold up, is it a correct assumption, then, to assume that of the $20 million that is unobligated for 1993 that $4 million would actually represent outlays by the end of this fiscal year or would that figure be——

Mr. THACKER. I am not sure if that ratio would hold. Again, we probably would have—since we would be getting this supplemental request somewhat in the middle of the year, we probably would have a higher ratio of the $30 million actually outlayed than we would for the supplemental.

Mr. VISCLOSKY. So the intent by the General Services Administration, given the position of the administration, is to accelerate the obligation in outlays of the $30 million?

Mr. THACKER. Yes, it is our intention to accelerate the obligation of the $30 million in fiscal year 1993, as well as to obligate the supplemental request of $5 million.

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Mr. HOYER. Mr. Darden.

Mr. DARDEN. No questions. Thank you.

Mr. HOYER. All right. I don't have any additional questions, either. We very much appreciate your testimony.

Mr. THACKER. Thank you for the time.

Mr. **Hoyer**. Thank you. There is no further testimony to come before the Committee. The Chair now recognizes Mr. Lightfoot.

REQUEST FOR ADDITIONAL HEARINGS

Mr. **Lightfoot**. Thank you, Mr. Chairman. On behalf of the Minority Members of the Subcommittee, I would like to, under Rule 11, Clause 2, ask for an additional day of hearings on the subject matter today.

Mr. **Hoyer**. Mr. Lightfoot and I have had a discussion about this. Under the rules of the House and this Committee, the Minority is entitled to request an additional day of hearings for the purposes of hearing witnesses that they may want to have testify. We will certainly accommodate the Minority's rights under the rules.

Mr. **Lightfoot**. Thank you, Mr. Chairman.

Mr. **Hoyer**. Because of the necessity to move this package, however, we will schedule that hearing tomorrow immediately following the hearing on the financial status of the Civil Service Disability Retirement Fund.

Mr. **Lightfoot**. What time is that scheduled?

Mr. **Hoyer**. Two o'clock, so we will do it after that 2:00 hearing, and if you can notify us of what witnesses you might want to have.

Mr. **Lightfoot**. We will have that this afternoon.

Mr. **Hoyer**. Okay. And then it would be the Chair's intention to have the markup following the hearing.

Mr. **Lightfoot**. Okay.

Mr. **Hoyer**. Is that all right with everybody?

Mr. **Visclosky**. Yes.

Mr. **Darden**. Yes.

Mr. **Hoyer**. The Chair wants to say he appreciates the position of the Ranking Member, who has always treated the Chair with great courtesy and consideration. The gentleman has his rights under the rules and is certainly within his rights to ask for this.

Mr. **Lightfoot**. Thank you, Mr. Chairman. I appreciate your cooperation.

ADJOURNMENT

Mr. **Hoyer**. All right, the hearing is adjourned.

Wednesday, February 23, 1993.

GENERAL ACCOUNTING OFFICE

WITNESSES

HOWARD G. RHILE, DIRECTOR, GENERAL GOVERNMENT INFORMATION SYSTEMS, INFORMATION MANAGEMENT AND TECHNOLOGY DIVISION

RONALD BEERS, ASSISTANT DIRECTOR, TSM WORK

Introduction

Mr. **Hoyer**. We will open the hearing which is being conducted at the request of the Minority members pursuant to the rules, on the economic investment supplemental recommended by the President of the United States. I would first like to call Mr. Howard

Rhile from GAO regarding the Tax Systems Modernization Program.

Mr. RHILE. Mr. Chairman, let me introduce my colleague, Ron Beers, who is the assistant director for TSM work. I have a very short statement that, if I may, I would like to enter into the record, and that I would like to summarize for you.

Mr. HOYER. I'll be pleased to have you do that. Thank you.

SUMMARY STATEMENT OF MR. RHILE

Mr. RHILE. Thank you. As you know, IRS is requesting $148.4 million as part of its economic stimulus program, and this is intended to buy computer and telecommunications equipment for 12 different projects. We don't think these projects, in looking them over, are spur of the moment purchases. They mostly represent accelerated acquisitions of hardware and software buys that IRS had planned. Three of them, totaling about $41 million, are for the Tax Systems Modernization Program (TSM). The rest, amounting to about $107.4 million, is primarily to support IRS' current operations.

Now, as you are aware, we haven't had a chance to fully evaluate these. We just got the proposal yesterday, but we do have some comments on them. First, with respect to the $41 million for TSM, about $15.7 million of that is for two short-term TSM projects, and as we said in our February 3 statement, these projects are experiencing schedule delays to the point where their completion dates are beginning to overlap the time when the replacement TSM systems are expected to become operational. We recommended that IRS reevaluate its short-term systems in light of these delays.

The remaining $25.3 million is for telecommunications modernization to replace some obsolescent telecommunications equipment and also to support TSM when it comes aboard. However, again on February 3, we stated that IRS needs to define its detailed telecommunications requirements, make site-specific plans, and perform work load planning to support the TSM program.

My second point is that the great bulk of the proposal, $107.4 million, is primarily to support current information processing operations. We haven't focused on this area, TSM has been our focus. However, we do know, based on IRS' plans, that most of this equipment is to accelerate the replacement of obsolescent equipment that was originally planned for fiscal year 1994.

We are not quite sure of the exact percentage, but quite a bit of it is. We have worked on several of the programs, though. For example, in the Taxpayer Compliance Measurement Program, we believe that the IRS examiners could use additional computer capacity to increase their efficiency and expand IRS' analytical capabilities, and there is $20.6 million in the package for that.

We also understand that an additional $5.9 million for automated call distribution equipment will be used by IRS' collection function, and we previously recommended the acquisition of such equipment to improve the productivity of its collection staff. Finally, about $48.2 million of this equipment is for mini-computers that will replace, obsolescent computers in the district offices. These are intended to be the mid-level platform for TSM, and this acquisition is consistent with the long-range plans for TSM.

The third and final point in our analysis was, is it possible to acquire this equipment, that is they have the procurement vehicles in place? We did find that they had the procurement vehicles in place, but IRS is going to have to obtain expeditious approval from the Department of the Treasury and perhaps GSA because the proposal calls for procurements that exceed the current terms of their delegations of procurement authority.

Yesterday, we talked to the IRS procurement officials who said that they anticipated obtaining this approval by June 1st and were planning to have the funds obligated by the end of this fiscal year. That concludes my prepared statement, and I would be happy to answer questions.

[The prepared statement of Howard G. Rhile follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations, House of Representatives

For Release on Delivery
Expected at
2:30 p.m. EST
Wednesday,
February 24, 1993

TAX SYSTEMS MODERNIZATION

Comments On IRS' Portion Of President's Request For Fiscal Year 1993 Supplemental Funds

Statement of
Howard G. Rhile, Director
General Government Information Systems
Information Management and Technology Division

Mr. Chairman and Members of the Subcommittee:

We are pleased to assist this Subcommittee as it considers the Internal Revenue Service's (IRS) portion of the President's request for supplemental funds for fiscal year 1993 to stimulate the economy. As you know, IRS is requesting $148.4 million to buy computer and telecommunications equipment for 12 projects.

The proposed acquisitions discussed by IRS in its testimony yesterday do not appear to us as spur-of-the-moment purchases, but mostly represent accelerated acquisitions of planned computer hardware and software buys as shown in IRS' planning documents. Three of the acquisitions, totalling about $41 million, will directly support IRS' Tax Systems Modernization (TSM) program. These requests support telecommunications modernization, an automated system to inventory and control taxpayer correspondence, and a system to support criminal investigations. The remaining $107.4 million is primarily to support IRS' current operations.

As you are aware, we have not had a chance to fully evaluate IRS' proposal. However, on the basis of our previous and ongoing work, we have several comments on the proposal.

First, with respect to the $41 million, about $15.7 million of this amount is for two short-term TSM projects--the Automated Inventory Control System ($10 million) and the Automated Criminal Investigation System ($5.7 million). As we stated on February 3, these systems are experiencing schedule slippage to the point where they are expected to be completed about the same time as when the replacement TSM systems are expected to start becoming operational.[1] We recommended on February 3 that, while some of the short-term TSM projects may be good investments, IRS should reevaluate them in light of their schedule slippage. The remaining $25.3 million is for telecommunications modernization that will permit IRS to make improvements in its obsolescent telecommunications network in preparation for the TSM projects. However, as we stated on February 3, IRS will need to define detailed TSM telecommunications requirements and make site-specific telecommunications plans to support and direct its planned telecommunications contracts for the TSM program.

Second, as mentioned above, the great bulk of the proposal ($107.4 million) is primarily to support current information processing operations. This is an area in which we have not focused--TSM has been our focus. However, we do know, based on IRS' plans, that most of this is to accelerate the replacement of obsolescent equipment, which was originally planned for fiscal year 1994. I might add that, based on our work on the Taxpayer Compliance Measurement Program, we believe IRS examiners could use additional computer capability to increase their efficiency and expand IRS' analytical capabilities. In addition, we understand that the automated call distribution equipment will be used by IRS' collection function. In this regard, we previously recommended the acquisition of such equipment for both incoming and outgoing calls to improve the productivity of the collection staff.[2] Also, $48.2 million of this replacement equipment is for minicomputers that, while needed to maintain current operations, are also intended to be the mid-level platform upon which TSM applications will run and is consistent with the long-range plans for TSM.

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[1] Tax Administration: Status of Tax Systems Modernization, Tax Delinquencies, and the Tax Gap (GAO/T-GGD-93-04, Feb. 3, 1993).

Finally, although the procurement vehicles are in place to carry out the proposal, it appears that IRS will need to obtain expeditious approval of the acquisitions from the Department of the Treasury and, if needed, the General Services Administration. This is because the proposal calls for procurements that exceed the terms of IRS' current delegations of procurement authority. As of yesterday, IRS procurement officials told us they anticipated obtaining such approval by June 1 and were planning to have the funds obligated by the end of this fiscal year.

This concludes my prepared statement. I would be pleased to respond to any questions you may have.

(510928)

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[2] Collecting Back Taxes: IRS Phone Operations Must Do Better (GAO/IMTEC-91-39, June 18, 1991).

Mr. Hoyer. I have no questions. Mr. Lightfoot.

Mr. Lightfoot. Thank you, Mr. Chairman. Mr. Rhile, we appreciate your coming by today and particularly on such short notice.

Mr. Rhile. The pleasure is mine.

Mr. Lightfoot. Just testing if the government can react in timely fashion and they did.

Mr. Rhile. I am gratified.

Mr. Lightfoot. Since you testified several weeks ago that IRS needs to develop more of a concrete long-term plan before proceeding with this tax modernization project, your thoughts on the component of the stimulus package to not only proceed but to actually accelerate TSM, do you think it is appropriate that we do that?

Mr. Rhile. Yes, this is an excellent question.

Mr. Lightfoot. Where I am coming from is the problem of, is this an emergency?

Mr. Rhile. I don't think you could say that this is an emergency, but I would like to point out that most of the funds in the stimulus package are not for TSM, but rather to replace obsolescent equipment that was going to be replaced anyway, most of it in fiscal year 1994, but there are three projects totaling about $41 million for TSM. We are saying, as I pointed out in my statement, that they really need to take a look at some of these because they are short-term programs and it looks like they are going to overlap part of TSM—the real TSM, so to speak—when it comes in.

The fact that most of the money is for non-TSM means that it is not as much of a problem as you would think, but there is some concern there on our part.

Mr. Lightfoot. What about to the issue of—since we are talking about TSM, is IRS in their development process, do they have TSM sufficiently along that any equipment they would procure later is going to dovetail, it is going to fit in?

I know there was some concern the other day with some of the people—and I have a concern, particularly with as rapid as technology changes, that we are not buying a white elephant here. We want to make sure they at least develop the software and the programs that will fit their needs for the next 15 or 20 years.

Of course hardware, we know that will change and get better as we go along, but have they sufficiently developed this program to take all of that into consideration, do you think?

Mr. Rhile. We discussed that a little bit, I believe, on February 3, and as I mentioned then, we feel very, very strongly that IRS needs to—as vexing as it is—to get the current TSM Modernization Program aboard. They still, at the same time, need to consider what happens when it finally comes aboard, what are we going to do to refresh that technology and make sure we don't get into the same boat that we are in now. IRS has responded by saying that they recognize the need to do that.

It is on the horizon of the 21st century right now, so there is not a whole lot of active research, there is not at the moment an active program to do that, but they do recognize the need to do that. It is something that we don't want to have happen again.

Mr. LIGHTFOOT. I guess, and this is more in a much broader sense. One of the FEC folks was here today, and they are running up against a big backlog, and of course several other agencies have got more than their hands full; the courts are backed up and a lot of this is due to the inability to process data to a great extent.

The movie perception is that the Government has got all the latest bells and whistles when in reality we are working with some pretty antiquated systems around here. In that case, that could be an emergency, I guess, but as we look at developing these new systems and bringing them on line, I would assume that—and maybe this is an incorrect assumption, possibly the IRS is somewhat going to be the lead agency in where we go with some of this technology.

Is that a fair assumption or not, since they handle such huge volumes of transactions.

Mr. RHILE. At one time, you know, they were. If they do what they plan to do and do it right, I think they will—you will be able to look at the IRS with some pride in what will have been accomplished. But they are pushing the state of the art on some of the technology perhaps a little bit too fast for our liking.

The concepts that they are designing to, or the concepts that surround the TSM design, primarily, are to have all the information about one taxpayer available for whoever needs it, and to move it around the country when you needed. This is the most modern type of thinking that is going on right now in this country.

So I think in direct response to your question, that, yes, if they can pull it off, it is going to be a pretty good system and the government can hold its head up high.

Mr. LIGHTFOOT. And I don't know if you know the answer to this question, but with the $148 million plus that we are talking about here in the procurement, was that already on paper or was this something that when the IRS heard $148 million might be available, they quickly got together and put the package together?

Mr. RHILE. Scratched around and put it together? No, we didn't find that. What we found was it was all part of their plans. The $148 million primarily, I guess almost exclusively, represents an acceleration of a plan, particularly in the non-TSM area.

The best figures that we were able to dig up in 24 hours, was that about $60 million of the $107.4 million for non-TSM that is in this package was planned to be acquired in fiscal year 1994 anyway, and some portion of some of the other projects.

Mr. LIGHTFOOT. I don't think there is any disagreement amongst us on the committee that what the IRS is doing is something that needs to be done and we want to make sure that they follow through and do it and do it in the best way as far as getting the most out of the money that is spent, and as you say, maybe become a role model for the rest of the bureaucracy here, because Mr. Hoyer mentioned the other day a valid observation, that the thousands of millions of transactions that credit card people handle, there may be something in there that could be applied, a type of technology that we are currently not using, and, again, the whole reason for asking for the time today was to determine if this fits that definition of emergency.

That seems to be where the biggest disagreement is over the package, that since it will be scored as an emergency, it is off budget, and, do we really justify going out and borrowing this amount of money. Maybe there is another way we could do it.

Mr. RHILE. I am stepping outside of my field, but I suspect the answer to that question would be very much dependent on how you define what emergency is.

Mr. LIGHTFOOT. I guess in lawyer terms, huh, Steny?

Mr. HOYER. It is hard to argue with that answer.

Mr. LIGHTFOOT. Well, gentlemen, I appreciate your coming. Mr. Chairman, I have no further questions.

Mr. HOYER. Thank you. Mr. Visclosky.

Mr. VISCLOSKY. I have no questions.

CONCLUSION

Mr. HOYER. Mr. Rhile, we appreciate very much you being here with us. We are going to continue to look at this program very carefully and your help will be greatly appreciated.

Your testimony on February third was excellent and you have done a lot of good work on this. We are going to continue to call upon you to give us some advice as we implement a very, very expensive but necessary modernization of this computer capability of the IRS.

Thank you, sir.

Mr. RHILE. I am pleased. Thank you.

Mr. HOYER. We are going to have a vote right now. Why don't we vote and come right back.

[Recess].

WEDNESDAY, FEBRUARY 24, 1993.

THE HERITAGE FOUNDATION

WITNESS

DANIEL J. MITCHELL, SENIOR FELLOW, POLITICAL ECONOMY

INTRODUCTION

Mr. HOYER. We will now hear from Mr. Dan Mitchell of the Heritage Foundation concerning the President's request for the economic stimulus in the 1993 supplemental appropriation bill. Mr. Mitchell, we are glad to have you with us.

SUMMARY STATEMENT OF MR. MITCHELL

Mr. MITCHELL. Thank you very much. I thank you, on behalf of the Heritage Foundation for this opportunity to testify. I understand of course that the proportion of the stimulus package that comes under this subcommittee is relatively small and my testimony will not focus really on the merits of whether the IRS should have its systems ungraded but on whether or not it should qualify as emergency spending and then on the general issue as to whether or not additional Federal spending is going to help the economy or not.

The so-called emergency spending package proposed by President Clinton will hinder the ongoing recovery by transferring additional resources from the productive sector of the economy to government. Clinton's proposal calls for $8.3 billion of additional outlays in fiscal 1993 with another $9.3 billion of outlays over the next four years.

Regardless of how this money is spent, its spend-out rate or when it is spent, the economy's performance will suffer. Record increases in Federal spending and budget deficits did not help the economy during the Bush administration and there is no reason to think that expanding the size of the government will work any better for Bill Clinton.

If higher Federal spending and larger budget deficits could stimulate economic growth, the economy would be booming today. In the last four years, Federal spending has increased by more than $330 billion. In this year alone, Federal spending is expected to grow by approximately $85 billion—not counting any outlays which might be added through new legislation. The budget deficit, meanwhile, has jumped from $152.5 billion in fiscal year 1989 to a projected $319.2 billion for this year. Rather than grow, however, the economy in the last four years has experienced its weakest growth rate since the 1930s. Nor has the increase in Federal spending helped create jobs for American workers, the alleged goal of Clinton's planned stimulus package; unemployment climbed from 5.3 percent in 1989 to more than 7 percent today.

The notion that higher Federal spending generates economic growth is based on the Keynesian theory of economics, which was popular in the academic world prior to the 1980s. Under this theory, it is total private and government spending that determines the economy's performance, especially in the short term. If the economy slows, Keynesians and the Clinton administration as well, believe that policy makers can restore growth by increasing the budget deficit and thereby boost total spending in the economy.

The Keynesian theory fell into disrepute in the 1970s when it became clear that high government spending and deficits were associated with slow economic growth and inflation rather than a strong economy. Critics of the theory pointed out that, among other reasons, this was because Keynesians assumed that the money used for expanded deficit spending appears out of thin air. In the real world, however, every dollar of deficit spending requires the government to borrow one dollar from private credit markets. Rather than stimulate growth or increase total spending in the economy, deficits simply transfer resources from workers, consumers, and investors in the productive sector of the economy and put them under the control of politicians and bureaucrats. These officials tend to use the money less efficiently than the private sector would. The result: Slower, not faster, economic growth and slower, not faster, job creation.

If Congress approves President Clinton's proposed new spending, that action will simply crowd out an equal amount of private sector investment. The economy can benefit from this new Federal spending only if the government spends the money more wisely and efficiently than the private sector. World history suggests that is not very likely. Increased spending will please the interest groups but it will not increase incentives to work, save and invest which are necessary to increase our national economic output.

Rather than increasing deficit spending, lawmakers should be reducing Federal spending, so more of the Nation's pool of savings will be available for investment in the productive sector. Private sector borrowing—which is used for such things as research and development, business investment, auto loans, new plant equipment, and home mortgages—increases the economy's capacity to produce goods and services. And private investment makes possible the productivity increases that lead to rising wages and higher living standards for all Americans.

President Clinton claims that spending increases will have a particularly beneficial impact if the money is spent on infrastructure and other "public investment" programs. According to this theory, the economy's performance depends to a significant extent on how much taxpayer money is spent on roads, bridges, mass transit, government-financed research and development, education and other programs that have become investment programs suddenly.

The evidence is very clear, however, that higher spending in these categories will not stimulate job creation and economic growth. The General Accounting Office, for instance, discovered that each job created by the "Emergency Jobs Act of 1983" cost the economy $175,000 in today's dollars. A 1979 study by the Carter Administration Office of Management and Budget found that infrastructure jobs cost between $136,000 and $384,000 per year in today's dollars. Since an average of $40,000 is needed to create each private sector job, any government program that uses more than $40,000 to create a job will actually reduce the total number of jobs in the economy. The administration claims their total package will create 500,000 new jobs, but they are making a blatant error, perhaps deliberate, by not counting the number of private jobs that are destroyed by the additional government borrowing. Using the $40,000 rule of thumb, the Clinton jobs-creation stimulus package will destroy many more jobs than it creates—assuming one believes the 500,000 job creation number in the first place.

In order to stimulate economic growth, the Clinton Administration should copy the successful policies of John Kennedy and Ronald Reagan. Both Kennedy and Reagan triggered record economic expansions by slashing tax rates and reducing the burden of government spending.

In conclusion, America was subjected to tax-and-spend economics under George Bush and it did not work. The same policies also will fail for Bill Clinton. Adding another $8.3 billion to this year's budget, not to mention the $9.3 billion down the road, will compound the damage already caused by a growing government share of the Nation's economic output. Higher spending may produce economic growth on the university blackboards of Clinton's economic advisors, but it does not do so in the real world.

Thank you very much, be happy to answer any questions.

OPENING REMARKS OF MR. HOYER

Mr. HOYER. Thank you very much, Mr. Mitchell. I don't want to be argumentative with you and I don't intend to be. I am in public office largely because John Kennedy came to the campus of the University of Maryland and talked about young people getting involved in politics. I was a sophomore at the University of Maryland in 1959 when he did that and I was very excited.

So I am always pleased to see our friends now saying what a great President in so many ways John Kennedy was. Jack Kemp does that all the time. I remember the campaign of 1968 and that was not what conservatives were saying at that point in time.

Secondly, I am also, I must say, amused by the criticism of Keynesian economics and the theory that deficit financing can spur the economy, when the Reagan administration, which obviously you think was one of those that was premiere in growing government, presided over the largest Keynesian deficit-financed government in the history of the world. There was one person in the country who could have stopped all of the deficit financing and it was Ronald Reagan. He never overrode, as you know, a veto to spend more money.

In fact, the only appropriation bill that—it was the supplemental appropriation bill in 1985—we overrode a veto of Mr. Reagan's was when he vetoed a bill because we didn't spend enough money: Defense.

But I must say, I am amused by that fact because Mr. Reagan had the largest deficit spending of any President in history. Of course he also pointed to a tremendous positive growth in the economy, positive because of the tax cut. But the fact is, we still sucked more money out of the private sector—the Congress has a share of the responsibility—than in any time in our previous history.

How do you rationalize telling me that Keynesian economics is bad and Ronald Reagan was good when Ronald Reagan, although he cut taxes, presided over, signed, and knowingly presented budgets to the Congress proposing the largest deficits in our history?

Mr. MITCHELL. I suppose let me start by clarifying what might be a difference between my philosophy and what I think and what the Reagan administration thought. I do not think the deficit is the driving factor in economic policy. I think it is the level of government spending and whether you finance spending through taxes or through borrowing. They each will have specific central impacts, taxes on incentives, deficits on capital markets, but in some sense it is almost a wash jumping from debt finance spending to tax finance spending, or vice versa, simply brings you from one frying pan to another. It is the level of spending that is my concern.

In regards to whether or not the Reagan expansion was a Keynesian expansion, I would simply point out that the deficit grew as a result of the 1980, 1982 recessions. We did not have a net tax dent in the economy until 1983. From 1983 until 1989 the deficit fell by more than half a percentage of GDP, and of course in the Keynesian theory, it is whether you are increasing deficits from wherever you are, what is your baseline.

So if the economy began its expansion right at the end of 1982, beginning of 1983, and then continued growing until the policy mistakes of 1990 took place, while at the same time the deficit was shrinking as a percent of economic output, to me that is added proof that the Keynesian theory doesn't work because we should have been booming in 1982 and 1981 when we had the sharp run up in the budget deficits and, of course, I think even the Congressional Budget Office would probably agree that the deficit largely grew during those years because of the recession, which shrinks the tax base so much and a shortfall in revenue.

We had a nominal decline of about $17 billion in revenue, which of course in real dollars is a very significant decline, and it was the recession that caused the deficit to rise so quickly. We didn't even have a net tax cut, as I said, until January 1983, and from that point on the deficit was shrinking and that's when the economy was growing.

And so I think if you actually look at what years you had the deficits, when they were growing and when they were shrinking, I think it confirms, at least it has for me, that the Keynesian theory was not the—the Keynesian—that the Keynesian stimulus theory of the Reagan expansion is not the correct interpretation.

Mr. HOYER. We could go on I think probably all afternoon. We won't do that, but it seems to me the obverse would have been, and the responsible thing would have been, for all of us—when the economy started to boom as it did in 1983, 1984, 1985—to have had the deficit much more in balance than we did. Had we done that, we would have been in much better shape today. Neither party was willing to do that, unfortunately.

Mr. MITCHELL. I think that is true. We did have a mechanism, Gramm-Rudman-Hollings, that did bring the budget deficit from 5.4 percent of GDP in 1985 down to 2.9 percent of GDP in 1989. There were some things such as deposit insurance that were going to make Gramm-Rudman untenable in its then current form, but nonetheless, had we maintained the basic premise of Gramm-Rudman, perhaps put the target as we did in 1987, I think that law, although, you know, obviously invaded to a good degree, did substantially reduce the growth rate, both Defense and non-Defense spending when it was in force.

Unfortunately, as I am sure you are aware, the 1990 budget deal basically got rid of Gramm-Rudman by making the deficit targets flexible for economic assumptions.

Mr. HOYER. Mr. Lightfoot.

EFFECT OF ECONOMIC SLOWDOWN

Mr. LIGHTFOOT. Thank you, Mr. Chairman. Interesting discussion. You know, you were saying, in 1982, 1983 things started to take off again.

Mr. HOYER. 1983, end of 1983.

Mr. LIGHTFOOT. In the Midwest it was when we were just starting to go into it and we were to hit bottom about 1985, 1986, when we had the most foreclosures and banks went under and all that, which is exactly what Japan is doing today; we overvalued real estate. In Tokyo now, the net value of the land mass that Tokyo sets on is valued more than the entire 50 United States combined. I think they are setting themselves up for a big fall too, but I agree with you, Mr. Chairman.

Neither the White House or either of the parties here did the things we should have done in those years and we might not have had the problems we have today had we done it. Maybe we can learn lessons from the past hopefully for all of us.

ECONOMIC EXPANSION

But anyway, Dan, in your opinion, I think most people feel like we are at least in a modest economic expansion now. From your perspective, what do you see that we have to do to keep that going and to expand it?

Mr. MITCHELL. Well, as I am sure the Members of the subcommittee know, the recession technically ended in March of 1991. Of course, people tend to look at some of the figures such as the unemployment rate that traditionally are lagging economic indicators. In all recessions in the post-war era, the unemployment rate always peaks well after the time that the economy hits its trough in the recession.

A lot of concern has been voiced about the fact that the unemployment rate has remained high. I do not believe that—some would say that the economy has no problems and there is nothing for policy makers to worry about. I think that there have been substantial increases in the cost of creating jobs in the last couple of years and that is one of the reasons why job creation, even—we didn't have that many job losses compared to past recessions, but even if you factor that in, the job creation coming out of the recession has been slower than normal, but I think that is because this cyclical downturn is different in some regards than others in that if you look at the payroll tax increase that went into effect in 1990, the 1990 tax increase, the Clean Air Act, the Disabilities Act and the Civil Rights Act, if you look at FIRREA, there is a whole host of things that have gone on in the last couple of years that increased the cost of businesses to create jobs, and they might be good pieces of legislation, might be bad pieces of legislation, but they unambiguously increase the cost of the small business creating a job.

Even during the 1980s when we had all the jobs being created, there was no net job increase by the Fortune 500. It all did come from small business. I think what has happened in this recovery, which I guess is now an expansion since we recovered the lost GDP from the recession, in this expansion, you are seeing a—in fact, a carry-over effect of that legislation as people—as small businesses and entrepreneurs try to figure out how they are going to run a business, meet a payroll and comply with all the tax and regulatory requirements that the government imposes upon them, and so I would think that would be the most fruitful place to look.

There are also things in the financial sector where under the international capital standards, banking regulators will reward banks who put all their money into government debt and punish them if they make loans to small businesses. That doesn't seem to be a very fruitful way for banking regulations to operate and yet we have agreed to that as part of the Basil standards.

So I would think, again, the tax and regulatory side would be the way that I would go. I don't think in the past that government spending increases have stimulated economic growth. I don't think it is going to happen today. The only way you can theorize that it is going to happen is if you assume that the government borrows the money from out of nowhere.

In reality, every dollar the government borrows is one dollar that isn't available to that small businessman or entrepreneur to create a new job.

Mr. LIGHTFOOT. One of the things—I guess we tend to talk dollars, but I come from an area that is basically all small business, and small business people, a lot of them would get out if they could, and a lot of their frustration is not as much with the dollars as it is with this sort of thing that you mentioned, the regulatory burden that has come down on them.

That is something that a President through executive order can do something about to minimize some of this regulatory burden. Would you see that as a positive stimulus if the President would do that kind of thing?

Mr. MITCHELL. I guess there is probably a limit to how much a President can do in terms of his existing regulatory authority. Obviously there are many provisions of the Disabilities Act and Clean Air Act and so forth that have yet to have rules promulgated, and whether those regulations are ultimately imposed and are very costly or in the least costly fashion will be very important.

There are executive orders that could be issued on things like risk assessment where we are not—in effect, our scientific capability has made it now so we can detect the very minutest traces of something that may or may not be a carcinogen, and under existing laws, which were written when science was considerably different than it is today, you know, those laws would give the Environmental Protection Agency or another agency the authority to go in and pass very, very costly regulations which are probably not, by anybody's calculation, very wise. And so I think a risk assessment executive order would be very helpful.

But in some sense, a lot of this stuff is on the books. Even if the administration was sympathetic or were sympathetic to a regulatory relief, I am not sure quite how much authority and how far they could go without the consent of the Congress. That would take considerably more research than I had available in the last 24 hours.

Mr. LIGHTFOOT. We lived through the nitrate scare and all that in our part of the world, and I am quite familiar with it. Do you think that new spending as proposed in this package, if we are going to do it, we ought to delay it?

Mr. MITCHELL. Well, I think in general, the size of government is too big. The size of government dictates exactly dollar-for-dollar how many resources you are taking out of the productive sector of the economy. From what I understand, the two pieces of spending in this subcommittee's jurisdiction are not particularly offensive and may very well be relatively good uses of government money and so it is probably the broader bill, and then the broader issue of the entire budget that I am more speaking to. But I don't think that declaring this spending an emergency really meets the definition of an emergency, nor do I think if there were an emergency, that higher government spending would be the way to address it.

Mr. LIGHTFOOT. I think you probably fairly accurately assessed the position here. I think everybody on the committee is in agreement that it is prudent what they want to do, whether it is an emergency, we do it now, we borrow it, that sort of thing.

You had mentioned a $40,000 figure for job creation. I see in the two that we are concerned with, IRS has $176,919. The GSA, they are looking at—well, $.25 million, $225,000 per job, to create those jobs.

Even if we could justify the cost, I guess the big question, are these long-term jobs, are they short term? You got any feel for that or have you looked at that area at all?

Mr. MITCHELL. Well, I am not familiar with the methodology that was used to come up with those figures because I really—I can't pretend to know whether or not they are talking permanent job creation, short-term job creation, if they are just purchasing equipment and they are making a calculation, okay, it is going to take the manufacturers this long to produce this equipment and that creates that many jobs, job years, once they calculate out how many people are working for how many months and turn it into a yearly figure.

Since I am not sure what methodology they used, I can't really comment on that. I would simply, again, refer to the fact that various studies on anti-recessionary legislation, and since the post-World War II era, tend to show that the cost per job created is very, very high, and even if you believe the administration's figure of 500,000 jobs—500,000 jobs with a $30 billion package, that is $60,000 per job which is above the rule of thumb that economists—again, economists, not just Heritage Foundation, but economists in general use as the cost for creating the job.

I suppose you could theorize that all the additional borrowing is going to come from foreign capital, therefore, you could say it is not going to destroy any domestic jobs, but I am not sure that would be a very valid assumption.

Mr. LIGHTFOOT. Thank you for coming today and on such short notice, and Mr. Chairman, thank you for your courtesy, and I would only suggest that as we look at "job stimulus packages," quote, unquote in the future, whatever they might be, that we have got to get this regulatory burden in the mix somewhere, because it is costing business a lot of money and it is all well intended but when you get down to the administration of it, for example, if you want to refinance your house today to take advantage of these new lower interest rates, on an existing loan with an existing financial institution, there are 26 forms that you have got to fill out. They estimate it takes five hours to get the data and three hours to fill out the forms. That is ridiculous. Of course, some of those forms say you have read some of the others.

We need to look at those things. We tend to focus so much on money all the time, but this is money indirectly and I think it behooves all of us to get the regulatory thing in the mix, which we really haven't done that much in the past, see what the impact of some of these things are.

Thank you. Again, thank you, Mr. Chairman, appreciate your courtesy.

CONCLUSION

Mr. HOYER. Thank you, Mr. Lightfoot. I certainly agree with you. I think one of the messages we all heard from State and local governments and from large and medium and small business, was that mandates and regulations are pressing down very hard on all of us and I think we have to deal with it, whether you are liberal, moderate, conservative, whatever.

If we can't allow the private sector to operate effectively, we are all going to be in trouble. I think the President feels that very strongly. He has made those comments. Mr. Mitchell, I found your testimony very impressive and I appreciate your being here and thought it was very fair and we need to come to grips with solving these problems and intellect like yours will help us do that. We thank you.

Mr. MITCHELL. Thank you.

SUBCOMMITTEE ON VA, HUD, AND INDEPENDENT AGENCIES

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TUESDAY, FEBRUARY 23, 1993.

U.S. ENVIRONMENTAL PROTECTION AGENCY

WITNESSES

CAROL M. BROWNER, ADMINISTRATOR

PAUL M. STOLPMAN, ACTING DIRECTOR OF ATMOSPHERIC PROGRAMS

MARTHA G. PROTHRO, ACTING ASSISTANT ADMINISTRATOR FOR WATER

HOWARD CORCORAN, ASSOCIATE GENERAL COUNSEL FOR GRANTS AND INTERGOVERNMENTAL DIVISION

SALLYANNE HARPER, DEPUTY ASSISTANT ADMINISTRATOR FOR ADMINISTRATION AND RESOURCES MANAGEMENT

MICHAEL VANDENBERGH, SPECIAL ASSISTANT TO THE ADMINISTRATOR

Mr. STOKES. The committee will come to order.

This morning the committee would like to welcome the new Administrator of the Environmental Protection Agency, Ms. Carol Browner, and her associates who are here with her.

Ms. Browner, it is a delight to meet you and to welcome you before the subcommittee. We look forward to working closely with you as the Administrator of this agency.

At this time, we would like to have you introduce your associates, and then you may proceed in any way that you would like.

Ms. BROWNER. Thank you, Mr. Chairman, Members of the committee. It is a great honor to be here, particularly to be here so early in my tenure, to begin our work together on what I hope will be a number of very productive issues over the coming years.

Let me briefly introduce the people who are joining me here today to answer some of the more technical questions that may arise.

I am learning these programs as quickly as possible. Some of them I have familiarity with because they were programs I administered from the State perspective; there was a delegation from EPA to my State agency in Florida. Others are still somewhat new to me. I will do my best, but I did think it might be helpful to bring those who actually handle the programs on a day-to-day basis.

Starting at my left is Paul Stolpman, who is the Acting Director of Atmospheric Programs, and will be able to address the Green Programs, which are part of the President's stimulus package.

Next to Paul is Martha Prothro. She is the Acting Assistant Administrator for Water. She can speak to the SRF, the State Revolving Fund.

Mr. LEWIS. Related to the former UCLA football coach?

Ms. PROTHRO. Cousin.

Ms. BROWNER. We will take any relationships we can.

Next to me is Mike Vandenbergh, who joined the staff at EPA with the beginning of my tenure.

And next to Mike is Howard Corcoran, Associate Counsel for Grants and Intergovernmental Division. I was told you never come to one of these meetings without your counsel, so we have brought counsel. Hopefully we will not need him, but it is good to have him.

And Sallyanne Harper, the Deputy Assistant Administrator for Administration and Resources Management, who has been working on our budget. We have others, if we find the need.

Mr. STOKES. I am delighted to have all of you.

Ms. BROWNER. Did you want me to proceed with an opening statement?

Mr. STOKES. We will receive your opening statement at this time. You can submit the entire statement for the record and summarize it, if you like, or you may present it any other way you would like.

OPENING STATEMENT

Ms. BROWNER. What I would like to do is perhaps mention a few of the components of the package, and then submit the rest of the testimony for the record.

Again, I want to thank you all for the opportunity to be here.

I think that it is important for this subcommittee to note what has taken place thus far in this administration. I think it is a change in some part from the past administration. I say that by way of saying that the environment is now at the table and that the environmental issues have been part and parcel of all of the discussions in terms of developing a stimulus package and the other components of the President's budget, which we will be discussing, I hope, at later meetings.

I think we now recognize as a country that you can no longer take environmental issues and address them on the margins. It is not appropriate to engage in a dialogue of the environment versus jobs, the environment versus the economy and that in fact a healthy economy is dependent on a clean environment and you can have both.

I think that is the commitment that President Clinton brings to everything that he does. That is why he has chosen to include the Environmental Protection Agency at the table in the discussions in the shaping of the package.

We are quite pleased that in our work with OMB and the White House, that several projects that we had recommended for inclusion in the stimulus package are in fact included. I would just briefly explain the process. It was not a process of which agency gets how much or that each agency gets something. It was really a process of looking at what were the needs and where was the ability to create jobs.

In the final analysis, there was a belief that several of the projects that EPA had presented to OMB could create jobs in a timely manner, could bring money back to local communities, and thus our projects were included in the final stimulus package that was presented to you all last week.

STATE REVOLVING FUND

Let me mention the components of the EPA package. The most immediate one obviously is the State Revolving Fund. I am sure that all of you are aware of this program. It is a program that has been ongoing for many years. It takes money, moves it out to State governments so that they can then primarily fund municipal wastewater treatment facilities.

What the President's stimulus package proposes is that an additional $845 million would be added to the State Revolving Fund program for fiscal year 1993. The addition of this money will substantially complete the commitment that was made in the Clean Water Act to fund the SRF and the construction grants program for a total of $18 billion. This will allow, we believe, many local governments to commence construction of these much-needed projects.

I think it is important to note the number of jobs that can be created through an expansion of the State Revolving Fund program. We estimate that there would be approximately 16,500 direct and indirect jobs as a result of this money.

In addition to the direct and indirect jobs, as you all know, when you create additional capacity and wastewater treatment, it allows for a leveraging then in other sectors of the economy. You can have increased development because you now have the capacity.

I know in my own State of Florida, this has been an ongoing problem. We have many facilities at capacity. There are provisions in our State law, likewise in many other State laws, that prohibit future development until that capacity can be expanded.

So there is, we believe, a substantial leveraging of other job creation through the expenditure of this money.

We have also recommended that—and we look forward to discussing this with the Chairman and the Members of the committee—that the 20 percent State match be waived for this $845 million. There has historically been a requirement that States match the monies coming to them with 20 percent State funds, and there is some flexibility in how they can do that. Again, in an effort to create jobs in a timely manner, we would recommend that the 20 percent State match be waived as it relates to these funds.

There are other uses for these monies under the existing program, in addition to the construction of wastewater treatment plants. There is also some ability for sewer lines. They can also go to estuary and non-point source work. The predominant use of the funds will be the wastewater construction, but there is flexibility within the States to spend it as they deem fit, within some margins that are set forth in the statute.

WATERSHED RESOURCE RESTORATION GRANTS

The second portion of the stimulus package that relates to EPA is the Watershed Resource Restoration Grants, the non-point source money. I think most of you are aware that non-point source is a significant problem in terms of its impact on our water bodies, on our surface water bodies, coastal areas and otherwise. It is a request for $47 million in additional funds to allow for grants to be distributed to States for non-point source activities.

What we are talking about is the ability to improve and restore wetland habitats, to look at and to work in a cooperative manner with some of what we believe to be the sources of non-point source pollution. To look at some of the things being done across the country and try to do a better job in terms of dealing with the non-point source pollution.

I think this is extremely exciting. I think that, as you go back to your districts, you will find in talking to people that there is an awful lot of interest in environmental restoration, in trying to take water bodies and watersheds that have been previously impacted because of activities and figure out a way to do things differently such as, to pretreat water as it enters the watershed.

I know there are some projects going on across the country that involve what I call the construction of "kidneys", almost. We take the runoff, we send it through a managed but natural-looking system to filter out some of the pollution. Then it moves on into the rivers, lakes and streams, the coastal areas, the estuaries, as the clean water that those systems demand.

As I said, we are very excited about this program. We think that it can create an awful lot of very interesting projects. We also estimate that the program could create a total of approximately 2,400 jobs, everything from the engineering, planning-type jobs, through the construction phases.

The one other thing I would say about this program is the States have been very successful in using it to involve local communities, and they get out there and actually plant the various trees and appropriate vegetation. It can be a very positive experience for a local community in terms of restoring something that has been impacted.

GREEN PROGRAMS

The final component of the stimulus package is the Green Programs. This is a very, very popular program within the agency, one that I know from my experience in Florida and one you all may be familiar with, and we have brought some materials we can share with you. Several years ago EPA created a voluntary program to work in cooperation with American businesses to help them and to facilitate the introduction into the marketplace of technologies that would reduce the use of energy.

The program I am most familiar with is the Green Lights program. My building in Florida, my previous building, was one of the first buildings to actually convert all of its fluorescent lights to a light that uses less electricity.

I would mention one statistic to you in terms of thinking about these programs. Lighting accounts for over 20 percent of the total

U.S. electricity consumption. So anything we can do to diminish the amount of electricity we use has great benefits for the environment and for cost.

There are many other components to the Green Programs, and as I said, we have some material that we can hand out. But it has, again, been very successful, and for Green Lights, we already have over 700 participants. This is on a cooperative, voluntary basis. They have indicated a willingness to participate in the program and meet the goals of the program.

Another exciting component of our Green Programs deal with what we call Energy Star Computers. I want to call it bright stars. What this involves is working with the computer industry to look at ways to decrease the amount of electricity that they use.

Something that I was interested to hear is that a third of all computers in this country, of personal-desktop-type computers, are sold through small businesses, through mom and pop dealers. We have a program right now reaching out to those mom and pop vendors to work with them to promote the sale of these more efficient computers. For example, portable computers right now have a technology where if you don't use them for so many minutes, they automatically shut down. Copy machines have the same thing. We are looking at expanding that to desktop computers so they will do the same thing; if you walk away from your computer for a period of time, it will automatically start to shut down and use less electricity.

I think what is significant about the Green Programs is that it is part of our commitment to pollution prevention. If I could take just a moment to say something about pollution prevention; I believe that the command and control regulatory schemes that are represented in the great number of the laws we have right now that speak to environmental regulation and environmental protection, while being extremely successful in cleaning up our air, land and water, must be combined with an increased focus on pollution prevention. We need to continue to move our activities upstream to actually reduce the amount of pollution that is being generated.

The Green Programs work very nicely with those efforts. They give us a framework for working in a voluntary and cooperative manner with American businesses for reaching out, coming together, trying to solve problems before the problems are actually created, to prevent pollution from happening in the first place. So we are excited about this program.

We are hopeful that we will be able to take the lessons we learn from the Green Programs and expand them to a lot of the work that we do and to the relationships that we are able to develop with those that we have historically regulated.

The stimulus package for the Green Programs is $23 million, which would be an increase of what we are currently spending, but we think a very wise increase.

That is our stimulus package. I would be more than happy to take any questions or receive any comments.

[The information follows:]

STATEMENT OF CAROL M. BROWNER, ADMINISTRATOR
U.S. ENVIRONMENTAL PROTECTION AGENCY
HOUSE APPROPRIATIONS COMMITTEE HEARING ON
THE PRESIDENT'S ECONOMIC STIMULUS PACKAGE
FEBRUARY 23, 1993

INTRODUCTION

Mr. Chairman and members of the Subcommittee, I would like to thank you for the opportunity to appear before you to present the Environmental Protection Agency's component of President Clinton's FY 1993 Economic Stimulus Package. I am not only excited about the opportunity to present this package, but I am deeply honored to appear before you so early in my tenure as Administrator. I know that we will be meeting again in the next few months as you consider the President's Budget Submission and I am eager to have the chance to work closely with you over the next several years.

At the outset, let me say that environmental issues have been at the table throughout the development of the President's Stimulus Package. The Stimulus Package and the entire Budget Plan proposed reflect the Administration's commitment to incorporate environmental values into all aspects of the Federal Government.

The package I present to you today encompasses three major components. First, our proposal includes an expansion of the State Revolving Fund Program to fund a portion of the nation's unfinished water quality needs. Second, we propose to increase the funds available for Watershed Resource Restoration Grants, also known as the Non-

Point Source Program authorized by Section 319 of the Clean Water Act. Finally, we wish to promote the use of energy efficient technologies to reduce energy consumption and foster pollution prevention. We at EPA refer to this as the "Green Programs."

PERSPECTIVE ON THE ENVIRONMENTAL PORTION

As you are aware, on February 17, President Clinton submitted a solid plan for the nation's economic revival after twelve years of virtual stagnation. The plan provides a balanced approach between the immediate need to create jobs and the long-term mission to increase public investment and reduce the deficit.

One of the primary components of the President's proposal -- and the component I will address today -- is a strong, viable package for economic stimulus. The President's $30 billion package of tax incentives and new spending will create 500,000 direct and indirect jobs, provide a down-payment on long-term investment, and ensure for the nation a sound economic recovery. My previous experiences, particularly in the State of Florida, have proven to me that these goals are attainable. To achieve these goals, our package recognizes that the Federal Government must work closely with the states, public interest groups and the regulated community. Together, I know we can make this a reality.

The Economic Stimulus package includes a total of $915 million for EPA. The funds that we request for the State Revolving Fund, Watershed Resource Restoration Grants and Green Programs could create approximately 18,000 direct and indirect jobs, between Fiscal Years 1993 and 1997, and a potential 59,000 induced jobs over a number of years. Let me spend a few minutes to outline the details of each proposal.

STATE REVOLVING FUND

The most dramatic increase will come with the proposed additional $845 million to the State Revolving Fund (SRF) program. With this addition to the State Revolving Fund, the program will be able to meet the $18 billion program level authorized under the 1987 Water Quality Act. This will put the State Revolving Fund program one year ahead of its authorized phase-out schedule.

The additional funds will finance projects eligible under the current program, which provide improved water quality. These types of projects include: wastewater treatment plants, new interceptor and collector sewers, limited sewer rehabilitation and infiltration, stormwater management, combined sewer overflows correction, non-point source management and development and implementation of estuary management plans. Clearly, to have a stimulus effect, States will need to use as one of their prominent criteria for project selection, the project's status. In other words, States will need to concentrate their funding on projects that are "ready to go."

In addition to improved water quality, the $845 million in new wastewater funds will provide a multitude of other environmental benefits, including: reduced beach closings, fewer fish kills (which means fewer fish bans and advisories), increased commercial and sport fishing, improved recreation and tourism, and enhanced varieties and qualities of fish species.

The State Revolving Fund Program is an area where EPA intends to "get funds out quickly." Currently, the State Revolving Fund awards are based on an allotment formula and require States to provide 20% matching funds. The administration requests a waiver from this matching requirement, for these additional funds, in order to expedite their use. If these capitalization grants are leveraged in the financial markets (as allowed under the Clean Water Act), States will have a significant pool of funds for low interest loans to municipalities.

Overall, we anticipate that the stimulus to the State Revolving Fund program could create approximately 50,000 jobs. This estimate includes 16,500 direct jobs, between Fiscal Years 1993 and 1997, in the construction and engineering fields and indirect jobs among equipment suppliers and other support personnel. It also includes a possible 32,900 induced jobs resulting from new industry attracted by additional wastewater capacity. In addition to creating new jobs, we will also be addressing the backlog of priority wastewater treatment projects.

WATERSHED RESOURCE RESTORATION GRANTS/NON-POINT SOURCE

The stimulus package also includes a request for $47 million in additional funds for Watershed Resource Restoration Grants, also known as Non-Point Source Grants, which will double the size and strength of the current program. Non-point source pollution has been identified by States as the largest contributor to water pollution.

Investments in the Watershed Resource Restoration Grants will support a vast spectrum of projects. These funds can be used to improve and restore wetland habitat, construct and manage treatment systems for polluted runoff and animal wastes, and protect valuable estuary and coastal resources. Another specific target for these funds is the nation's dwindling fisheries. These areas suffer from deteriorating water quality conditions caused by sedimentation, storm sewer drainage, and acid drainage from abandoned coal mines. Reductions in non-point source pollution will improve fishing and recreational opportunities in urban, suburban and rural areas.

These new resources will be targeted at "ready to go" watershed restoration projects awaiting full funding and will quickly create new jobs. The funds contributed to this program may create approximately 2,000 jobs. This would include at least 1000 direct and indirect jobs and a possible 1000 induced jobs, ranging from the unskilled worker, to the construction worker to the scientist and engineer. In addition, we are requesting a waiver of the State match requirements. The waiver will accelerate the economic impact of these funds, as States will not have the difficult and time-consuming burden to match these additional non-point source dollars.

GREEN PROGRAMS

As I mentioned earlier, EPA's "Green Programs" are the third EPA component of the Economic Stimulus Package. We propose adding $23 million to the Green Programs thus, quadrupling its size and effectiveness. In turn, this augmentation could potentially spur an additional investment in energy conservation from private industry totaling $1 billion.

EPA's Green Programs include several initiatives. Perhaps the best know project is the "Green Lights" program, which the Agency launched two years ago. The intent of Green Lights is to encourage Fortune 500 companies to convert profitably into more energy-efficient lighting, which will reduce electricity demands and greenhouse gas emissions. Generally speaking, EPA uses the Green Programs to identify profitable opportunities for energy conservation and enlist participants to install energy conservation measures.

The private sector has already voluntarily responded, in force, to the various Green Programs. As of October 1992, Green Lights participants had committed over 2.8 billion square feet of facility space to the program -- the equivalent of all the leasable office space in our eight largest cities. Over 750 corporations have committed to energy efficient lighting. In partnership with EPA, these corporations have installed the energy efficient "green lights" wherever possible. In addition, 40 manufacturers have introduced desktop "Energy Star Computers," that cut energy use by 50% without sacrificing performance or raising costs.

We believe that the successes of these and other Green Programs have encouraged new private investment that would otherwise not have taken place. The additional investments we propose will create an estimated 460 direct jobs, ranging from energy surveyors to auditors to equipment manufacturers. We believe this increase will yield over 25,000 induced jobs once Green Programs are fully implemented in the private sector. The $23 million federal investment will accelerate implementation of the Green Programs through increased marketing outreach, intensified implementation support, new auditing and technical programs and research into identifying profitable uses of wasted methane, in consultation with USDA and the Department of Interior.

CLOSING REMARKS

The Administration believes that environmental protection goes hand-in-hand with economic progress. From the beginning, the environment has been a consideration in the Economic Stimulus Package. We are committed to the idea that a strong economy and enhanced environmental protection are not contrary goals.

As I stated earlier, these environmental economic proposals are only a part of the President's package. I look forward to discussing the remaining environmental details with you when the President submits his FY 1994 Budget next month.

At this point, I would be happy to answer any of your questions. Thank you.

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE ADMINISTRATOR

Biography of Carol M. Browner

Carol M. Browner was sworn in Friday, January 22, 1993 as Administrator of the Environmental Protection Agency. Citing her innovative approach and strong administrative background, President-elect Clinton named Carol Browner as his choice to direct the EPA in December 1992. Since 1991 Browner had been Director of the Department of Environmental Protection for the State of Florida.

Her call to public service was inspired by her wish to protect our nation's environment for her children and family. Ms. Browner grew up in south Florida in a house from which she could bicycle into the wilderness of the Everglades. Ms. Browner wants her son to be able to grow up and enjoy the natural wonders of the United States the same way she has, and to do so without being exposed needlessly to harmful pollutants.

As Director of Florida's Department of Environmental Regulation, Browner has most effectively dealt with the greatest challenge in environmental regulation: balancing a mandate for environmental protection with the need for economic growth. Florida's environmental problems are a microcosm of those faced by the nation as a whole; as Director of DER, Browner has dealt effectively with such diverse issues as population growth and residential development, wetland protection, hazardous waste clean-up and bureaucratic inflexibility. Her tenure has been marked by a decrease in regulatory burden, an increase in community involvement, and the substitution of dialogue and incentives for confrontation and legislation. Called "a new type of environmentalist" by The New York Times, Browner views economic development and environmental protection as complementary goals.

In 1992, Browner successfully negotiated a deal with the Walt Disney Co. which allowed continued development in the Orlando area, and the transformation of an 8,500-acre ranch into a wildlife refuge. Walker Ranch, as the preserve is known, sits at the headwaters of the Everglades system and is home to 12 protected animal species. Such "greenbelts," or preserves, which can be bought by business and maintained by environmental groups, are a progressive and innovative solution to the disparate needs of business and the environment. Working with Disney and the Nature Conservancy, Browner negotiated a compromise that permitted continued economic growth during the recession, while preserving a huge swath of Florida's natural environment.

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Browner has also worked to decentralize the regulatory process, by giving state legislators and agencies a large role, and paying particular attention to the needs of small businesses. She streamlined Florida's permitting process, cutting red tape by decreasing the number of state agencies involved. She worked for and won passage of the Florida Clean Air Act, allowing the Florida DER to obtain delegation from EPA to implement the federal clean air program. The Act also created a Small Business Technical Assistance Program, to assist small business in achieving compliance with the new law.

Browner established a coalition of business leaders that implemented an annual fee structure for major sources of air pollution in advance of the federal deadline, giving the DER the resources it needed to efficiently operate and work with the affected businesses.

Browner is a native of south Florida. She graduated from the University of Florida at Gainesville in 1977, and earned her law degree from the same institution. Browner began working on environmental issues as General Counsel for the Florida House of Representatives Government Operations Committee and continued with Citizen Action in Washington, D.C. Formerly Chief Legislative Aid for Environmental Issues to Senator Lawton Chiles, Browner helped negotiate a complicated land swap that expanded Big Cypress National Preserve. In 1988, Browner went to work for Senator Al Gore, Jr. as his Legislative Director.

Ms. Browner and her husband, Michael Podhorzer, have a son, Zachary. They reside in Maryland.

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MARTHA G. PROTHRO
BIOGRAPHICAL SKETCH

Martha Prothro is Acting Assistant Administrator for Water at the U.S. Environmental Protection Agency (EPA). In that capacity, Ms. Prothro is responsible for the national water quality management program, including:

- o water quality criteria and standards,
- o drinking water criteria and standards,
- o NPDES permits for point sources of water pollution, including stormwater sources,
- o the State Revolving Fund program for constructing municipal wastewater treatment plants, and
- o shared responsibility with the U.S. Army Corp of Engineers for regulating wetlands and the disposal of dredged material.

Ms. Prothro is a career public servant with over 25 years of government service, most of it at EPA. She joined EPA in 1973 as an enforcement attorney in the air pollution control program, and eventually rose through the ranks to lead the Noise and Radiation Enforcement Division. In 1981, she moved to the water quality program and became Director of the Permits Division, where she was responsible for the NPDES Permits (National Pollutant Discharge Elimination System) program and the national pretreatment program. From 1988 to 1991, Ms. Prothro directed the Office of Water Regulations and Standards. In april 1991, she became the Deputy Assistant Administrator for Water, serving as the senior career advisor to the Assistant Administrator. She became Acting Assistant Administrator in January 1993.

Ms. Prothro has a B.A. from the University of North Carolina and a J.D. from George Washington University's Law Center. She has been the recipient of numerous awards, including the Presidential Rank awards for meritorious service and for distinguished service as a senior executive.

Michael H. Shapiro

Deputy Assistant Administrator

Office of Air and Radiation

(202) 260-7400

Michael H. Shapiro is the Deputy Assistant Administrator, Office of Air and Radiation (OAR), where his responsibilities include implementation of the Clean Air Act, as well as EPA programs addressing stratospheric ozone depletion, energy conservation, indoor air pollution, and radiation.

From 1980-1989 Mike held a number of positions within the Office of Pesticides and Toxic Substances. As Director of the Economics and Technology Division, he was responsible for all economic, engineering and chemistry support for implementation of the Toxic Substances Control Act and for directing implementation of the Toxics Release Inventory under the Emergency Planning and Community Right-to-Know Act.

Prior to joining the Agency, Mike was on the faculty of the John F. Kennedy School of Government, Harvard University, where he taught and conducted research in environmental policy. Mike has also consulted on environmental and energy policy issues and worked for the Exxon Research and Engineering Company.

Mike received his Ph.D in environmental engineering from Harvard University in 1976 and has an undergraduate degree in mechanical engineering from Lehigh University. He is the author of two books and several articles on environmental policy issues.

HOWARD F. CORCORAN

Biographical Sketch

Howard Corcoran is an Associate General Counsel in the Grants and Intergovernmental Division. Prior to his appointment as Associate General Counsel, Mr. Corcoran served as an Office of General Counsel staff attorney and the Assistant General Counsel for the Grants Law Branch. Mr. Corcoran has been with EPA since 1979.

Mr. Corcoran has a J.D. from Georgetown University, a Master's Degree from Yale School of Forestry and Environmental Studies, and a B.A. from Harvard College.

PAUL STOLPMAN

Biographical Sketch

Paul Stolpman is the Acting Director of the Office of Atmospheric Programs (OAP) in the Office of Air and Radiation (OAR). OAR manages programs related to Acid Rain, Stratospheric Ozone Depletion and Global Change.

Mr. Stolpman is an Economist trained at the University of Chicago and the London School of Economics. Mr. Stolpman joined EPA in 1971 and has held a number of positions at EPA, including:

- Director of the Office of Policy Analysis and Review, OAR, EPA;
- Director of the Pollution Control Division, Organization for Economic Cooperation and Development (OECD), Paris, France;
- Special Assistant to the Assistant Administrator for the Office of Administration and Resource Management, EPA; and
- Senior Advisor for Program Development, OAR, EPA.

HOUSE APPROPRIATIONS COMMITTEE

Seating Chart for FY 1993 Economic Stimulus Hearing

9:30AM-11:00AM

February 23, 1993
Room H-143, U.S. Capitol Building

HOWARD CORCORAN Associate General Counsel for Grants, Claim and Intergovernmental Division	CAROL M. BROWNER Administrator	Court Reporter	MARTHA G. PROTHRO (Acting) AA-OW	PAUL M. STOLPMAN (Acting) Director of Atmospheric Programs

STOKES
Chair

Members of the House of Representatives

SRF LEVELS

Mr. **Stokes**. Thank you very much, Ms. Browner.

We will start the questions at this point, and please feel free to refer any of the questions to any of your associates if you so desire.

EPA is requesting an additional $845,300,000 for the State Revolving Fund program, which funds the construction of wastewater treatment facilities. That is a significant increase; 33 percent above the current funding level.

You mention in your testimony that $845 million is needed to complete the total authorization of funds for the State Revolving Fund's construction grants under the 1987 Water Quality Act. Does that mean that the State Revolving Fund is fully capitalized?

Ms. **Browner**. My understanding—and I may ask Martha to help answer this—is that the commitment was for $18 billion, for construction grants and State Revolving Fund and that this sum, $845 million, will complete that commitment. I don't know, Martha, if you wanted to to add to that.

Ms. **Prothro**. I think that is right. It is not necessarily to say more is not needed, but that that completes the planned capitalization of the SRF from the 1987 Clean Water Act reauthorization. We would want to take another look at what should be the future direction of the SRF.

Mr. **Stokes**. I understand there is a large unfunded need for wastewater treatment facilities, maybe as high as $100 billion.

Ms. **Prothro**. Yes.

Mr. **Stokes**. How will this need be accomplished?

Ms. **Browner**. Mr. Chairman, you raise a very good point. We have estimates of a substantial unmet need. We understand based on a survey we have had done by the States, and another done by an analyst, that just in immediate, ready-to-go projects, there is probably $4 billion in need. I mean, the plans are there. These municipalities are ready to go, but if you look over a long period of time and over the demands that are being placed on these systems, it could be as high as $100 billion.

It is obviously something that we are going to have to work with the Congress and with the States in terms of fashioning a solution to it. I think as Martha said, it would be part of a discussion during the Clean Water Act reauthorization, or at least we would hope it could be part of that discussion.

SRF STATE MATCH WAIVER

Mr. **Stokes**. In looking at the requested bill language, I note that in order to expedite an expenditure of funds, the State matching requirement has been waived. Are there disadvantages to or problems with waiving this requirement?

Ms. **Browner**. I don't think so. Now I am going to have to go back to my State experience. I think that it has been the States, as you all are aware, that have accepted increasing responsibility in terms of a lot of these programs. They too are experiencing problems in terms of the generation of revenues.

I think that if we are to be faithful to the President's commitment to create jobs in a timely manner, a waiver of the State match is probably the best way to ensure that.

Ms. **Prothro**. I think our experience in the long term has been that some sort of State match is helpful in terms of having States buy into the program and also expand the funds. But for a stimulus effect, we need to move quickly. As Carol said, many States are having great difficulty raising the existing match requirements for the base funds that are already provided to them in fiscal year 1993.

So if you want to have a stimulus effect and move the funds out quickly, I think it is imperative that the match be waived just for one time only, for this pot of money. I think this is what we would recommend.

Mr. **Stokes**. Let me ask you this. Are you planning a process where you would be able to track the economic stimulus fund separate and apart from the regular State Revolving Fund?

Ms. **Browner**. We should be able to do that, yes. We would certainly seek to do that.

SECTION 602(b)(3)

Mr. **Stokes**. I understand there is a certain section of the Water Quality Act, Section 602(b)(3), that has not been waived, but actually works in conjunction with 602(b)(2) which is being waived. Can you explain this section to us and comment on it for us?

Ms. **Prothro**. Yes. We are taking a look at this. We understood this was a concern that some States felt that the requirement of 602(b)(3), which requires States to enter into binding commitments with communities for 120 percent of the Federal payments within one year, might be an impediment in some States to getting the money out quickly. And we have taken a look at that.

Our preliminary view in the agency is that perhaps we would look at reducing that 120 percent requirement, but probably not waiving the whole thing.

I understand from my colleagues here that our folks at the Office of Management and Budget are taking a look at this. We should have a final position on this by late this afternoon on behalf of the administration. So we are taking a hard look at it.

Ms. **Browner**. Mr. Chairman, just to make sure everyone understands, there is a requirement that the States commit to make loans for 120 percent of Federal payments in one year, and that has for some States been difficult. So we are analyzing whether or not a slight reduction in that requirement, perhaps a requirement of 100 percent, would allow them the needed flexibility.

Ms. **Prothro**. Right.

Mr. **Stokes**. Please feel free to expand upon that for us, because the authorizing committees also have some concern about this area.

Ms. **Prothro**. Right.

PROJECT REFINANCING

Mr. **Stokes**. EPA mentioned several means to expedite the process. One method of streamlining the process, according to your justification, is to deviate from current SRF regulations to make project refinancing more attractive.

Now, there is no bill language addressing this issue. Can you do this without legislation?

Ms. BROWNER. I think we believe that there is some flexibility in terms of addressing the refinancing issue, that there are regulations within the agency that could be reevaluated, and perhaps provide some greater flexibility in addressing the refinancing.

In looking at it, I think that it is our sense based on an initial analysis, that it will be for projects commenced after March 1st of this year. We would allow some flexibility in the refinancing of how things pay out, and the reason again being that you want to ensure that this money in the stimulus package is going to create new jobs.

Did you want to add to that, Martha?

Ms. PROTHRO. No, I think that is something we are taking a real hard look at, how we might do it, whether it is advisable or not. We haven't made a decision yet.

Mr. STOKES. I note in the language that funding for the SRF is only available to the end of Fiscal Year 1993. How long will it be before these monies will be obligated and expended?

Ms. PROTHRO. We would expect to achieve obligation by September 30, 1993, if the funds are appropriated in a relatively short period of time. We have assumed our historic outlay rates, which I think is conservative because, as you know, we are trying to stimulate some speed in the process. But the rates are about 4.5 percent actual outlay in the first year; 22.0 percent in the second year; 30.0 percent in the third year, and so forth, and then it declines after that.

So these are conservative assumptions that you will see in the President's plan, but that we think can be speeded up to some extent by some of the things we have just been talking about.

Ms. BROWNER. The assumptions are based on past experiences.

Ms. PROTHRO. Right.

Mr. STOKES. I guess what we are trying to get at is whether we can realistically anticipate that the $845 million can be expended by the end of the fiscal year.

Ms. PROTHRO. We certainly believe we can obligate rather than expend the State Revolving Funds by the end of the fiscal year. It will take some hard work, but we are ready to do that.

Mr. STOKES. How will the supplemental affect the outlaying of those funds previously appropriated for the SRF in Fiscal Year 1993?

Ms. PROTHRO. We don't have real good information on that. It is possible that much of the supplemental funds would be spent first, if these incentives are built in, so that some expenditure of 1993-based funding may be somewhat delayed.

We hope to avoid that effect as much as possible, and we will work hard with the States to make sure they continue outlays of the base funds at the same time they are dealing with the stimulus funding.

JOB ESTIMATES

Mr. STOKES. Let me get to some questions about the jobs that you have mentioned, Ms. Browner, in your testimony.

According to your justification, you tell us that the stimulus provides about 16,500 direct and indirect jobs between 1993 and 1997. How did you arrive at those numbers?

Ms. Browner. This was based, again, on past experiences in terms of expenditures and jobs created.

Martha may have some additional information for you all.

Ms. Prothro. Well, I think that the assumptions that are in the President's plan and the testimony for direct jobs and indirect jobs are based on Bureau of Labor Statistics estimates, and traditional outlay rates. So, again, we think they are conservative.

Carol added in her testimony an indication of what we might expect in the way of induced jobs. So we think that this is on top of the BLS estimates. We also think the BLS estimates may be just a little low because they are at the low end of the scale of many of the different studies that have been done on job creation from infrastructure projects.

But again, this is an indication that most of the assumptions we have built in here are conservative. We don't want to overestimate the beneficial effects.

Mr. Stokes. Are we talking about permanent jobs, or creation of short-duration-type jobs?

Ms. Browner. I think it is a combination of both. When these facilities are ultimately constructed, there are people required to run the facilities, and those obviously are long-term jobs. In other instances, some of the planning and the construction would not be permanent as it relates to that facility. But because of the leveraging effect that is created with the construction of these facilities, one would hope that the people particularly in the construction site will be able to move into other construction jobs that would now be allowed because of the increased capacity.

Mr. Stokes. Your justification also states approximately 34,000 additional jobs could be generated. Tell us what type of jobs we are talking about, and also give us some idea of the time frame there.

Ms. Browner. Well, again, Mr. Chairman, this goes to the fact that when you increase the treatment capacity available, it will allow for other types of development and construction to take place.

For example, you have communities who right now are under orders not to build any new office buildings, not to build any new residential communities, because there is no capacity to treat the waste that is generated once those buildings are constructed and occupied.

So we believe that when you have increased capacity, you will then further stimulate the economy, because there will be the ability to make other sorts of development investments.

Ms. Prothro. If I could just add to that. In addition to that, there are also jobs created in the tourism industry when you have things like beach closures that can be eliminated, and when you have shellfish beds that can be reopened that have been closed. We have over a third of our shellfish beds closed right now, many of them due to municipal wastewater discharges. Other benefits to recreational fishing and industries in that area that often have problems due to wastewater treatment needs not being met.

Mr. STOKES. I note that for both your State Revolving Fund and the non-point Source Grants program, no additional funds have been requested for staffing. The question that comes to us, is whether or not the tasks that personnel is working on have to be deferred while these applications are being processed and grants are being made.

Ms. BROWNER. Mr. Chairman, we believe we can assume this additional responsibility within existing staffing levels. We will be working a little bit harder and longer, but we do not anticipate having to set aside other responsibilities in this program to meet this increased responsibility.

Ms. PROTHRO. Actually we had planned this year to begin shifting some of our personnel out of our SRF activities and into other things. Because once the SRFs were established in the States, and those initial start-up costs had declined, we didn't need as many personnel at EPA to oversee the program. So what we will do is hold those people in the program and have them work on the stimulus package to help move it forward.

Ms. BROWNER. It will be a significant responsibility for us to meet the deadline, but I have every confidence that we can do that. We would not have proposed this sort of idea to OMB if we did not feel we could meet the responsibility.

Mr. STOKES. It is a lot of additional work.

Mr. Lewis, I yield to you.

Mr. LEWIS. Thank you, Mr. Chairman.

Madam Administrator, it is a pleasure to welcome you to our committee.

I need to give some background by way of my initial question. At one time in a former life I had the privilege of chairing a Committee on Air Quality, which, as you know, is important to Southern California, and I wrote much of the State law that relates to tougher standards in that area.

In connection with this specific package, stimulus for the economy, I have some concerns, and ironically the concerns are kind of complicated by the fact that my colleague, Tom DeLay, is not here today, and I am really sorry to deliver this message, but he is presently in a meeting with Senator Wallop where they are presenting what they call the Red Tape Award, and they present this to agencies from time to time. This year the agency involved is before us at this moment.

Ms. BROWNER. I am not surprised.

Mr. LEWIS. But my question——

Ms. BROWNER. We accept the challenge.

ENVIRONMENTAL COMPLIANCE ON PROJECTS

Mr. LEWIS. My question relates to another more general problem that does address itself to the whole package of $16.23 billion, designed to stimulate the economy. Last year in a very significant bipartisan and multi-State effort, California, Arizona, and Nevada, came together to put monies along Highway 15 and Highway 40 in California. The first allocation was an appropriation of $50 million, and subsequent appropriations may triple that—a stimulus package, if you will, money delivered to put to work just the kinds of people you want to impact the economy.

Those monies are being held up presently because of delays in implementation of Federal regulations that relate to the environment. I don't know whether internally you would address this question as it relates to all the other programs impacting the economy, but I would like to hear for the record your comments about that.

Ms. BROWNER. One of, I believe, my successes in Florida was our commitment and our ability to streamline the permitting process so that we were responsive to the business community in a timely and efficient manner. I apologize for not being familiar with the project that you speak of.

I don't deny that there can be delays in the environmental permitting process. Those can be a product of a number of factors. I am not aware of this specific one, but they can be everything from the fact that you have sometimes more than one Federal agency involved, you happen to have good relationships between those agencies historically. It can be a product of the fact that you have State and local governments involved with slightly different goals, different ways of achieving those goals.

I think one of the challenges for those of us who work in this area, who are committed to both a healthy economy and a clean environment, is to address these very delays and concerns that you raise. I think this is a very, very valid point, and one that I am very committed to working on while I am at the agency.

I believe we can do this without minimizing environmental standards. And I think that is what the public wants; I think that is what the business community wants. So I would be more than happy to get back to you on this specific issue to see if we can understand what the problems are and to get your views about it.

But please know that the issue as it relates broadly to environmental regulation in environmental protection is one that I, too, am concerned about and one that I am committed to trying to resolve to the best of my ability.

Mr. LEWIS. I appreciate that. I raise the question even though it doesn't relate specifically to the items before us today. For my colleagues across the board, it is a very important question as we look at trying to have dollars flow through programs ranging from highways to water projects. And I would urge the agency to help us with that.

I am not talking about waiving significant environmental requirements, but rather the efficiency side. It is probably one of the most important developments in public affairs and my years in it. Yet we have people on the fringes criticizing us for sometimes not addressing those very questions. So I would appreciate that.

Ms. BROWNER. I might also add that during the discussions that took place at OMB and at the White House regarding the creation of the stimulus package as a whole, one of the issues that I raised was please, let's make sure that we do not include in the package those types of projects that could end up caught in a regulatory gridlock. This is appropriate because, again, we want to look at projects that are ready to go, projects that have secured their permits, the jobs can be created.

That was, I think, a new consideration for many people, and it was something that we raised and something that was listened to. I think there is a great deal of commitment for these other agencies in terms of what they will be recommending, that it be money towards projects that are far enough along in the system that will not end up unfinished. The last thing I want is someone saying a piece of the stimulus package didn't work because EPA didn't give somebody a permit. That will not be a pleasant day.

EFFECT TO NAFTA

Mr. LEWIS. The Chairman raised questions regarding how we got the numbers of jobs, et cetera, related to SRF funds. I would specifically like to hear how those funds may affect—some of the grants that may be in line may affect a significant part of the debate around NAFTA.

What impact will these funds or programs have in terms of impact upon water projects along the Mexican-American border? I have an interest in California, of course, but it is much broader than that.

Ms. BROWNER. I think I understand, but why don't I let Martha address that.

Ms. PROTHRO. As far as funding is concerned, there has been an appropriation for grant funds already, for some activities along the Mexican border. They would not be affected. I think those projects are a very high priority for the States involved. I would not expect those to be delayed because of the stimulus package.

Now, we haven't sought commitments from the States in this regard, but my expectation, considering how serious the problems are there, is they would want to move out with those pretty quickly.

Mr. LEWIS. You were talking about funds that will flow from this package, that could very well delay funding that would flow from 1993 appropriations, for example. I just want to make sure there is not going to be a negative impact upon the border. It will be an important debate not too far down the line.

Ms. BROWNER. It is my understanding there is a specific appropriated amount available right now for projects directly related to NAFTA along the border region. Those are not affected by the stimulus package as I understand it.

What Martha was speaking to is that as these additional monies flow to the States, obviously it will be up to the State. But it would certainly be our hope that they would continue their commitments to these very important projects in that region and that perhaps we could encourage States to provide some of this money for those projects.

Ms. PROTHRO. We have already obligated that money to the States.

Mr. LEWIS. I mentioned NAFTA because that is my concern, but there are other projects, I presume, that relate to pollution problems along the border, or specific revolving fund questions that are in the 1993 pipeline, let alone this pipeline.

Ms. BROWNER. This money is in addition to previous appropriations, so anything in the pipeline should continue right where it is.

I mean, this should not impact on it. But the $150 million previously authorized specifically for the border area will continue. This does not in any way affect that.

Ms. PROTHRO. Right.

GREEN PROGRAMS

Mr. LEWIS. Thank you.

Relative to the Green programs, can you tell me if there has been any resistance or reluctance on the part of the private sector to participate in these programs? If I could hear a bit more about what that relationship has been and the response you have had.

Ms. BROWNER. Let me just start by saying one thing. I think that any time you have an agency whose historical responsibility has in large part been of a regulatory nature, when we seek to change our relationship and to move beyond the regulatory structure, there will be some who will not immediately accept the nature of the new relationship.

I think it is incumbent upon us to continue to reach out to those businesses, to explain to them what we seek to do, and I think the point they raise is valid. But I think what we have to offer is extremely attractive, and given the large number of participants in the program, I think that is an indication of the willingness of the business community and the regulated interests to overcome what may have been an initial perception of a regulatory agency.

It is something I absolutely believe that if we are going to do what we have to do in terms of environmental protection, what the public demands of us, that we need to greatly enhance our working relationship, our consensus building, the collegiality with which we address these issues, and we need to work as partners with the business community. That is why this program is so very important to us.

I don't know if you wanted to add something.

Mr. STOLPMAN. I would expand on that by pointing to our computer program. Our Energy Star computer program was initiated last summer. We currently have 45 percent of the industry covered by the program. In January we announced our computer-printer star program. We already have 80 percent of the laser printer market covered in that. Let me show you the logo that this equipment will bear. In order to get this logo, which won't be this big on your printer or computer, obviously, but in order to earn that logo for your computer or printer, you have to establish that you have reduced consumption of electricity by 50 percent.

So already we have 80 percent of the market covered for printers and over 40 percent of the market for computers, and all of this is basically at no cost to the manufacturing process.

Ms. BROWNER. The one thing I would note is that the number of companies wanting to participate exceeds our ability right now to meet. I mean, you know, I think many American businesses now recognize that being environmentally friendly and environmentally conscious is what the public wants, and they want to meet that public need, and this is one of the ways in which we can help them do that.

Mr. Lewis. My information indicates that currently you have signed agreements with businesses and local governments affecting about 5 percent of the commercial office space. The 1993 program has like $8 million in it. That doesn't seem like a lot of money to me.

Beyond that which you have mentioned, what other kinds of energy-efficient programs are proposed in these—you mentioned the computer star program. That is very interesting. Give us a little flavor, maybe beyond this meeting.

Ms. Browner. Just on the percentage figure that you used, 5 percent of the national leaseable space; this exceeds the leasable office space in New York City, Los Angeles, Chicago, San Francisco, Washington D.C., Philadelphia, and Dallas. So I think it is significant. I don't think it is the solution, but I think that is a very significant start. The program is still relatively new; and to have already achieved that, I think, is significant.

I might ask Paul to mention some of the other programs that we are looking at.

Mr. Stolpman. The Green Program covers a number of areas. I just mentioned the computer area. Another important greenhouse gas is methane. And our Green Program covers methane recovery that involves coal bed methane natural gas leakage, and recovery from animal waste and landfills. So we have programs in the methane area that cover all of those areas.

And those are moving along and would be part of the stimulus package as well as the Green Lights. We are also moving aggressively into buildings, not just the lighting aspect of buildings and the equipment used in buildings, but the heating, the cooling, and the air management. All of those are important consumers of electricity. And our program will move more aggressively in that. The Buildings program is the next program on the horizon.

NON-POINT SOURCE

Mr. Lewis. Watershed restoration?

In all of these areas the Chairman has expressed some interest in explanation as to how you believe these funds will stimulate new jobs. So I assume you will address that to us for the record or directly.

I am specifically interested in knowing the criteria used by EPA to determine whether a watershed is needed for restoration.

That is what this money would go to, not to the estuary activities under section 320.

Ms. Prothro. Historically the States' Non-point Source programs have included a list of priorities; and in some cases it is priority watersheds, and in some cases priority projects. What we are considering for supplemental funding here is to give guidance to the States that they select projects on the basis of their ability to produce not only jobs but also significant water quality benefits. And then they would choose the projects based on their historic priorities and their States' Non-point Source Management programs.

So they have already done the priority identification work.

Mr. Lewis. Thank you, Mr. Chairman.

Mr. STOKES. Certainly. Mr. Chapman?

Mr. CHAPMAN. Let me join my colleagues in welcoming you. We look forward to working with you on this committee.

Ms. BROWNER. Thank you.

STATE REVOLVING FUND—20 PERCENT MATCH

Mr. CHAPMAN. I am trying to think in my mind of the logistics on the State Revolving Fund program and how it may work. In terms of supplanting these funds, for the funds already in the pipeline, there has been some discussion about how to discourage or prevent that from happening.

It occurs to me that if you are strapped for funds, as most States are, it would be a terrible temptation to try to avoid that 20 percent match if there were any possible way to do it and perhaps postpone, ultimately, having to come up with those funds.

Is there anything in place that guarantees that the supplemental funding will go to new projects? Or is there going to be anything that will prevent a State from substituting the free money for the money that requires the match on projects that are already in the pipeline?

How do you prevent that from happening? Or do you even attempt to prevent it from happening? If the idea is to get the money out and the 20 percent match is the problem, this is one way to solve the problem and get the money out.

What is your view on that?

Ms. BROWNER. I think it is important, as you say, that the historical funds that move out to the State—that will still be required to be matched—that the States not fail to meet those matches.

I think States have been doing this for a long time; and they are accustomed to the fact that there is this pool of money available to them on an annual basis if they are able to generate the match. That is something that is ongoing. They have been doing this. And I would be very surprised if any State or if more than one or two States were to fail to continue that because there is such a high demand and need for this money.

I think that the second part of the question you asked—in terms of how do you guarantee that this supplemental money actually goes to new projects, I think what is important is, again, to recognize the large existing need. Every State has projects, drawings on the shelf, that they have not been able to fund. And so this money would be available to them to fund some of those.

So they would be new projects in that sense. But I don't think we believe that you would have States hearing about this money today, suddenly going out and saying, let's build a new wastewater treatment facility, one we have never thought of; let's develop the plans. That is not going to happen.

But what they will be able to do is fund facilities that were going to be in the queue for a very, very long time.

Ms. PROTHRO. We might consider some modification in 602(b)(3) of the Clean Water Act. It does still require States to commit to provide loans for all capitalization fund payments they receive from the Federal Government within one year.

In fact, they have to enter into binding commitments for 120 percent of the fund payments received in one year. That still applies to the money they receive in 1993 in their base programs. So that money has to keep moving in order for them to satisfy that requirement of the law or they lose the money. So they will have to keep up with that at the same time that they are managing the new money that comes in.

STATE REVOLVING FUND—OUTLAY RATES

Mr. CHAPMAN. Let me ask, if I may—and I should know the answer to this, and I don't; so help me if you will—when you are talking in terms of the outlay rates, specifically the 4.5 percent in the first year, 20 something in the second year and so on that you mentioned, I guess I am geared to think in terms of where there is a specific budget authority there is money in the bank, and when you outlay—you spend it.

When you are referring to those specific outlay rates, tell me exactly what portion of the State revolving fund you are talking about. Is that outlays from the Federal checking account to the State, or does it go to the State and then the States outlay the Federal funds at that rate?

Ms. PROTHRO. I believe that is the outlay rate for the Federal funds.

Ms. BROWNER. That's the rate—the number, $39 million for fiscal year 1993—which goes up over time and then back down—understanding is that it is the outlay of Federal funds, that is the portion of the $845 million in any individual year that will actually be turned over to the States. And that is a very conservative estimate, again, because it is based on past practices; it is based on the States having a 20 percent match requirement, which would be waived in this instance.

Mr. CHAPMAN. Even assuming that, if this is a fair characterization, that those numbers are conservative and you will attempt to do better than that, basically, what we are saying is that $845 million, only four—let's say you double that, you will get less than 10 percent of that out in fiscal year 1993; is that right?

Ms. BROWNER. We would have almost all of it spent by 1997, so from 1993 to 1997.

Mr. CHAPMAN. So this portion of the stimulus package will be spread over five years, in effect?

Ms. BROWNER. Yes. If it goes according to traditional patterns. We think it will go faster.

Ms. PROTHRO. But, again, we want to estimate conservatively. Waiving the 20 percent match, I think, in and of itself will speed up that outlay rate considerably.

Ms. BROWNER. The other thing I think is important is that municipalities are reluctant to commence these projects without an indication of funding. I think what we will see is municipalities moving forward on an expedited basis with the knowledge that this money is coming with the commitment being made by the Congress in their approval of the stimulus package.

Mr. CHAPMAN. Don't misunderstand. I think the need is tremendous, and I am very, very supportive of the program. I fear we are subject to the criticism that this is not a front-end loaded, jump-start economic stimulus. This is free money to the States for the revolving loan fund that will be spent over five years, and most of the money will be spent in years three, four and five, if the traditional outlay rates follow.

There is not a lot getting out there real quickly in fiscal year 1993 and 1994. I say that simply because I think that, even if you speed it up some—it may be a potential criticism.

This is a five-year program, not a front-end loaded one- or two-year program.

Ms. BROWNER. As you know, these are large facilities; they take time; and there is a tremendous need. And I think that the benefits to be derived in terms of job creation, short-term and long-term, and environmental benefits——

Mr. CHAPMAN. I absolutely agree. I think that you make a valid point about the indirect jobs downstream, if you expend sewer capacity or wastewater treatment capacity. In my hometown we lost a new industry because of the inability of our sewer treatment facilities to handle their needs. That is 700 jobs.

So I think that you can clearly see the leveraging effect of the investment? I just worry that people will say that this program is way out there somewhere.

Ms. BROWNER. We are going to do everything we can to expedite it.

GREEN PROGRAMS—METHANE AND NATURAL GAS

Mr. CHAPMAN. You mentioned something about the Green Programs, and EPA's Methane and Natural Gas programs. Do you have something specific in mind with this particular stimulus package—where the extra resources would go in that part of the Green program?

Is this just an expansion of your current program?

Mr. STOLPMAN. In the Methane program, we would aim primarily at three of the sectors: with the agriculture program—mostly from feedlots and other methane-producing sources; the landfills program; and our Natural Gas Star program, which would involve natural gas pipelines.

Mr. CHAPMAN. If I may, are these education periods? In those areas you talk about—and I don't want to get into too much detail on the program itself. But, actually, where does the money go; and what do you do with it? Do you buy leak detectors?

Mr. STOLPMAN. Basically, it is to demonstrate to industry there are profitable uses of current existing technology and techniques.

And what we have found is that in pointing that out to industry and working with them closely, they find that there are profitable recovery mechanisms for methane.

So when you go into the agriculture business, if you can demonstrate to them there are technologies and techniques for recovering methane and reusing it on site, those are the kinds of programs we have in mind.

With regard to landfills, it would be working primarily with municipalities on recovery techniques whereby they can use the methane by-product from the landfill as an energy source; and it is a good energy source.

With the Natural Gas program, that is primarily working with them on the fact that there exist technologies that can detect leaks and that there are techniques for correcting those leaks and cutting them down.

Those are the kinds of specific areas we would be looking at for methane.

GREEN PROGRAM—FTES

Mr. **Chapman**. Would the $23 million in this area expand FTEs at EPA for this program?

Mr. **Stolpman**. There is 2.8 million overall that would go into what we call our "PRO" account.

Ms. **Browner**. Let me interject here. We are committed to meeting the President's goals in terms of the reduction in FTEs. What we will be doing overall for the agency is look at an allocation of your FTEs based on new responsibilities, based on this administration's commitment to looking at pollution prevention and ecosystem protection. So we will have to deal with that internal to the agency in terms of how we allocate.

But we will be meeting the President's goal in terms of FTE reductions for our individual agency.

Mr. **Chapman**. That goal is over a period of four or five years. Do you anticipate the stimulus package in the short term will increase, if you will—I will use the words they use back home—that it will increase the bureaucracy at EPA?

Ms. **Browner**. No. Hopefully we will be able to demonstrate streamlining in bureaucracy and regulatory red tape.

NON-POINT SOURCE—PROJECT SELECTION

Mr. **Chapman**. That would be wonderful.

On the Non-point Source Pollution projects, will EPA have any final say-so in the ultimate projects selected; or will that decision be made at the State level?

Ms. **Prothro**. We will review the projects that the States propose, so they will come forward with proposals.

The way we have traditionally allocated the money is that we put about 50 percent of the money out to the States according to an allotment formula, and they come in with additional projects which we review; and we look at which ones are the best projects.

We think we probably want to do something similar to that for this new money. However, we are working with the States in developing some guidance on how the funds would be used.

The reason is that some States do not have as many needs in the Non-point Source areas as others. Or at least they don't have as many projects ready to go. So we don't want to allot money to States which are not able to put the money into beneficial projects. We want to be able to move the money towards those States that do have good projects to build.

Mr. **Chapman**. Is there anything you all thought of that didn't make the cut?

Ms. **Browner**. No.

Mr. CHAPMAN. Were there other programs from the stimulus standpoint, that you would like to have done within the Environmental Protection Agency that the resources just weren't quite there?

Ms. BROWNER. No. We are very, very happy with the package. We believe it goes a long way towards funding what we thought we would be able to do. It is really an extremely good package and we are very pleased to be a component of the package. We believe we will be able to contribute to the goals set forth by the President in the development of this package.

Mr. CHAPMAN. Mr. Chairman, thank you.

Mr. STOKES. Mr. Gallo?

EMERGENCY EXPENDITURE AND JOB ESTIMATES

Mr. GALLO. Thank you, Mr. Chairman. I know that a lot of things may be new in some respects; but with your experience in Florida, I am sure it won't take long to understand the magnitude of this particular agency and the impact it has.

I have, in some cases, been critical of the EPA in the past and find out I should have been more critical of the Congress, because we are the ones who have imposed specific mandates that have tied your hands in many respects.

Hopefully, in the future we will have a better understanding that our final laws make it time consuming to get through some of these problem areas. I am very familiar with the Superfund program and the problems we have experienced as a result of that program. It seems that a lot of the money we have put into Superfund have fed a lot of attorneys, consultants, and not done much in the way of cleaning up out sites. Although, now I believe we are on the cutting edge of doing some serious cleanup.

It is my understanding that any supplemental in this particular juncture is one which would require emergencies, dealing with the budget act we are under.

How do you classify the proposal, especially the expenditures in the Green Programs, as an emergency expenditure?

Ms. BROWNER. Well, I think that if you look at the programs that we have—the EPA programs included in the stimulus package vis-a-vis emergencies—it probably depends on how you would define the word "emergency."

I think that increased energy use results in increased pollution. And our ability to deal with that becomes more and more difficult. Why not put resources into preventing it from occurring in the first place?

If there is anything the Superfund and other regulatory schemes should have taught us, is that a little bit of money spent up front can save a lot of money spent downstream. I think that is particularly true of the Green Programs. I believe that this program is good at getting out there on the front and preventing increased environmental degradation down the road.

Is it a strict emergency? I am not sure, under the rules of the Congress, what the definition of "emergency" is. I believe it is a very wise and appropriate use of money.

Mr. Gallo. I don't disagree that it is a wise use. But we also have a budget process which incorporates procedures that Congress felt were very important. We do not classify these programs as emergencies. They are line items that can be submitted through the normal budget process.

It is my understanding that the entire package has to be classified as an emergency. The only thing I am trying to say is, that some of the items that were mentioned by you didn't sound like emergency areas to me particularly in the Green Programs. I don't know how you are going to justify these expenditures that as an emergency relative to the Budget Act of 1990.

Ms. Browner. Let me just say that I think the emergency that the President seeks to address is the inability of the economy to produce jobs.

Although we may be in some bit of an upturn in the economy, we continue to have high unemployment, under employment rates.

And the Green Programs, we do believe, will contribute to the increased number of jobs available.

Mr. Gallo. Speaking about jobs, you indicated that there would be some 16,000 jobs created.

Ms. Browner. That number relates to the State Revolving Fund program, which is just a portion of the overall program.

Mr. Gallo. The SRF?

Ms. Browner. Right.

Mr. Gallo. What is the actual breakdown of cost per job?

Ms. Browner. Does someone have a calculator?

You are asking how much money will be spent per each job?

Mr. Gallo. I am asking how much each job is going to cost to create.

If I look at the amount, of the overall $31 billion—it was about $62,000 per job, which is rather high.

Ms. Browner. Mr. Congressman, I think in terms of the jobs we are speaking to, we use a slightly lower figure.

We estimate each job costs about $50,000. You may have to, again, look at the package as a whole. There may be some jobs that cost slightly more and some that cost slightly less.

Mr. Gallo. I am not trying to tie you to a specific figure. When I heard the $61,000, that is an awful lot of money to create one job. $50,000 is a lot of money to create one job. I am sure that the people that will be creating the jobs would be glad to take the $50,000 and forget the job.

The situation is that—I understand the SRF program, and I was part of the group trying to develop that when I was in the Public Works Committee.

I know you are new at EPA, and I have asked this question before and never got an answer: How is the revolving fund working on the State level? Has there been any evaluation as to the repayments and how solid financially the fund is?

Ms. Browner. I can speak from my experience of running the program in the fourth largest State in the country. It was working well. It was a successful program. The payments were coming back; and we were very, very happy.

I think that, for many States, there are some adjustments they might like to see in the program in terms of some flexibilities; and that might be something that would be appropriate for discussion—for part of the discussion during the reauthorization of the Clean Water Act. I know in Florida we thought it was an extremely successful program in terms of getting the seed money to meet demand to create a fund that we could have low interest rate loans available to municipalities.

SRF—STATE ADMINISTRATION

Mr. GALLO. Would you tell me what the average administrative cost is by the States in handling that particular program?

Ms. PROTHRO. There is a 4 percent allowance based on Federal funds for the States to manage their programs. And I think most States do use the 4 percent.

I might add——

Mr. GALLO. If they exceed it, what happens?

Ms. BROWNER. They would have to make it up out of their own funds. They couldn't make it up out of the SRF fund. You would get a separate appropriation from your State legislature, if they were willing to provide it.

But you can't make it up out of the 20 percent match, can you? No.

So it would have to be in addition to the match.

Ms. PROTHRO. Right. And we prepared a report to Congress in 1990 on the status and the viability of the SRFs, and the results were quite favorable. EPA annually conducts oversight of the State programs.

One idea I think we would like to see expanded is the leveraging in the bond market from the SRF. Some States have been quite aggressive. You have 17 States now doing that. They have brought another $5 billion into the fund through that mechanism. Since that is working—and it has been demonstrated now by a number of States—we would like to see that expanded and encourage other States to try it.

Mr. GALLO. I don't recall having a copy of that annual report.

Ms. PROTHRO. We will certainly get you one.

Ms. BROWNER. We think that your State has not moved into the bonding arena. But the States where they have done it, they have been quite pleased with it.

Mr. GALLO. Right now there is an unobligated fiscal year 1993 appropriation of $3.5 billion; is that correct?

Ms. BROWNER. I think that is a little high. That sounds high. It should be closer to 2.5 in terms of—it is 2.4.

Ms. PROTHRO. That is including grants, though.

Ms. BROWNER. Right. Don't forget, in the existing program, there are the monies to the States through the revolving fund and also a grant portion. The original program was a grants program. So that number, $2.5 billion would include both the grants at approximately $600 million.

Ms. PROTHRO. It is about $1.9 billion for the SRF.

Mr. GALLO. That is unobligated at this stage?

Ms. PROTHRO. No, it is not unobligated.

Ms. BROWNER. It is obligated but not outlaid. It is not unobligated.

Mr. GALLO. So those States have already received or will receive, as a result of approved programs, those monies?

Ms. PROTHRO. Right.

Ms. BROWNER. Yes.

STATE MATCH WAIVER

Mr. GALLO. The last question is, I know the difficulty that States are having—States like my own and others in the Northeast and Midwest have been financially strapped. I can understand the rationale for waiving some portion of the match, however, I am a little concerned that, once you waive the matching requirements, it is very difficult to revert back to what you have had in the past. The matching requirements allows the States to take an added interest in completing the project, plus the fact that it adds to the overall pot. With the limited funds on the Federal level, what kind of effect do you feel that waiving the match will have on the additional amount of monies? How much less will be done?

Ms. BROWNER. You mean in terms of the effect of the State match waiver?

Mr. GALLO. With the 20 percent match? It means that whatever you give, there is going to be 20 percent more that the States have to contribute. However, when you waive the match you lose that 20 percent.

So if I am looking at the $845 million program, I am looking at an additional $160 million from the match. That was an incentive for the States to participate. Not only an incentive but it kept their feet to the fire. State legislatures often hear "my town or my county can not proceed with an important project if we don't come up with the money that is needed for the match."

Ms. BROWNER. That is a good point.

First of all, this is a one-time request. We would not advocate waiving the match in the future. I think it is important to note in this program that there is such a long preexisting list of projects to go, that there is an incentive on the part of the States, should this program be continued, to continue to participate. The amount of money that goes to an individual State is not insignificant. I would sincerely doubt that many States would opt out of participation in a similar program in the future because there has been this one-time waiver of the match.

Every State has a long list of unfunded projects. It is in their interest to stay involved. What we are seeking to do here is, again, to create the jobs and to create jobs that will have the added benefit of protecting the environment.

I think that is very significant, that it is jobs and the environment, that the package looks to both of those.

Mr. GALLO. I thank you for your candid response. I wish you well and look forward to working with you.

Ms. BROWNER. Likewise. Thank you very much.

Mr. STOKES. Mr. Torres?

Mr. TORRES. Thank you, Mr. Chairman.

Welcome, Ms. Browner, to this, our first meeting. This is my first meeting, too.

Ms. BROWNER. So we will learn together.

Mr. Torres. Indeed, we will.

I followed closely your statement and the points you made therein. I appreciate your comments on your particular outlook on streamlining the agency. I think that is going to be very effective. We had a lot of problems in the last administration with the agency. No pun intended, you are really a breath of fresh air to this whole endeavor.

I looked at the Green programs that you and your associates have described here; but I want to take this opportunity just to make some observations. There are some excellent programs at EPA that I believe are significantly under-funded. The Pollution Prevention Policy Office is one of those.

This office, I understand, is located right within the Administrator's office and has only six staff people, in spite of the fact that the previous administrator stated at numerous congressional hearings and in commentary that pollution prevention was the highest priority of the agency. And you yourself stated that last week, as I recall, in your testimony, that prevention would receive the highest consideration.

Yet you appear, by your statements here, to want to spend money on only Green Lights, or Green programs; and you talk about methane capture here as an important element of the program instead of what I view to be much more important, and that is reducing the amounts of toxins that are released into the environment.

Now, the Pollution Prevention Policy Office has had significant success in targeting programs to reduce the source of toxic pollution, yet it seems to be seriously under funded.

Another office that has contributed enormously to the policy debate is the Regulatory Innovations Group within the Office of Policy, Planning and Evaluation. It was this office, if you recall, that came up with the original emissions trading policy, the environmental auditing, and the Acid Rain Emissions Training program. Regulatory Innovations also developed the Used Oil Marketable Printer system which the agency itself rejected and failed to implement under existing statutory authorities.

The last two Congresses have introduced legislation to legislatively mandate the Used Oil Marketable Trading program, yet it remains unapproved. I am hopeful that you and President Clinton will be able to support my efforts and that you will continue to pursue that goal.

The Regulatory Innovations Group is also the catalyst for your original Pollution Prevention program at the agency. That is why I can't understand why the staff that developed these excellent programs has been reduced over the years from a staff of 14 down to three or four people at this time.

As I say, I appreciate you streamlining and cutting out the fat and the waste; but I think in these areas, there is a real waste of opportunity.

Now, I am having a hard time understanding how the agency expects to spend $23 million on the Green Programs in one year. Of the $23 million, I understand that $2.8 million will go into salaries and travel.

Considering the historic personnel problems at the agency, how many new staff do you expect to be able to hire in the next six months?

And of the remaining $20 million, I thought I heard some specificity about where that money would be spent. I heard FTE reductions and some methane capturing, but do I understand that most of this money will go to contractors?

Given the sorry history of EPA at managing contractors, is that a relevant question I am asking?

POLLUTION PREVENTION

Ms. **BROWNER**. Mr. Congressman, you make many valid points. Perhaps I could make several comments.

Mr. **TORRES**. I would like to hear, yes.

Ms. **BROWNER**. You point out a number of very, very good programs at the agency, ones that I am extremely supportive of. I want to touch briefly on Pollution Prevention.

The real way that we in the agency will be able to achieve serious pollution prevention is not by the creation of an independent office. We need to integrate the concept of pollution prevention into every single thing we do, from rulemaking to the issuance of permits, to the enforcement actions that we take and the nature of the corrective actions that we seek.

What I would hope is that, over time, you wouldn't even have an Office of Pollution Prevention, because the concept and the philosophy would be so much a part of every single thing that we do. There would not be a need for a separate entity. It would be a change in how we approach environmental regulation.

I think, if I understand you correctly, what has happened over the years at the agency is model programs, such as pollution-prevention type programs have developed. At some point, they have left the original source or location of their creation and actually gone out into a specific program. So that is why you would see, perhaps, the up and down in the number of staff.

The second point I wanted to speak to was your question about toxins and a reduction in the number of toxins. I, too, share your concern about toxins. I am committed to doing what we can to prevent, up front, the creation and the use of those toxic chemicals or toxic wastes.

I think that the Green Program, in fact, contributes to those goals. There are many toxics that are or can be created in the generation of energy, depending on the types of fossil fuels and other things that take place associated with the mining—everything from the mining to the final energy production.

So the Green Program, while not specifically limited to toxics does have a benefit in terms of reductions, and one that I think is important.

The final point I would go back to is the question of the $23 million in the Green Program and the expenditures. The outlay, in fact, estimated for 1993 is $8 million. The Green Program, we anticipate, would outlay over 1993 to 1995. You would have $8 million in 1993, $11 million in 1994, and $4 million in 1995.

You raise the point that EPA has, perhaps, not had the best of all possible records vis-a-vis in its contracts management. I share your concern. It is something that we are committed to working to resolve. We have several people looking at the issue right now so that I can understand it and understand what perhaps makes sense.

In terms of how the $8 million, specifically, would be spent in fiscal year 1993, if I could ask Paul to address that portion of your question.

GREEN PROGRAM EXPENDITURES

Mr. STOLPMAN. If I can, I would like to respond to that. But the point you were making regarding regulatory innovation, I would also like to respond if I could—because I am personally involved in that as well—I manage the allowance trading system for SO2, within the air program. The fact is that the Emissions Trading programs have basically found a home in the programs, and we have embraced them and are moving forward.

So I would simply try to reiterate that if you put regulatory reform efforts in the programs, that is the right place for them to be, integrated with the actual management of the system.

I personally also just finished writing the guidance for how to generate mobile source trades so you can trade mobile source credits for stationary sources. So, again, the air program is very actively involved in the whole emissions trading process.

With regard to where the new funding for Green Lights programs would be expended. We could bring in approximately 300 new participates into the Green Program.

As the administrator mentioned, we currently have about 750 participants in that program. We would hope that with the stimulus package we could get about 11 percent of our partners to perform upgrades on their lighting systems this year. We feel that that would help us reduce emissions of greenhouse gases by approximately 16 million tons. We estimate that this would bring the overall reduction of the greenhouse gases from the green programs in the range of 30 percent of the total net CO_2 reductions discussed in the *National Action Plan for Global Climate Change.*

Mr. TORRES. What was the commitment at Rio?

Mr. STOLPMAN. Countries agreed at Rio to come forward with such action plans and to stabilize greenhouse gases.

Mr. TORRES. Thank you very much.

Mr. STOKES. I appreciate the gentleman's consideration.

I am advised further that if you would like, you can submit your questions. You can certainly submit them.

I thank you.

Mr. Thornton.

Mr. THORNTON. Thank you, Mr. Chairman.

I have three lines of questioning which should be resolvable within three to five minutes.

Ms. BROWNER. As long as I don't talk too much.

INFRASTRUCTURE IMPROVEMENT

Mr. Thornton. It is my understanding, that the stimulus package improvements were chosen not only because they would provide jobs, but also because they would have a long-term beneficial effect upon the economy and upon accomplishing national needs.

Ms. Browner. Yes.

Mr. Thornton. That causes me to be concerned at what I fear is an arithmetical error. When you take the $915 million for EPA and divide it by the 18,000 direct and indirect jobs, coming up with $51,000 per job, are we buying something else with that?

Ms. Browner. We are buying a lot more than just jobs.

Mr. Thornton. Are we buying wastewater treatment plants, limited sewer rehabilitation, infiltration storm water management, are we restoring our infrastructure?

Ms. Browner. You are exactly right. We are restoring our infrastructure and we are buying a cleaner environment with that.

Mr. Thornton. To me then it does not seem correct to say that we are pouring $51,000 into each job. We are buying something of value, are we not, and something that will be of long-term value, and as your testimony indicates, may represent 59,000 jobs over the period of time.

I just want the record to reflect that these jobs don't cost $51,000 per job. We are buying very important material improvements in our society with the application of a stimulus which will also have a long-term effect.

Ms. Browner. You are absolutely correct. I appreciate you making that point.

GREEN PROGRAMS—ENERGY EFFICIENCY

Mr. Thornton. Secondly, I noted there was a great deal of concern about the Green programs as to whether there was tension between the private and public sector, and whether you were reaching with the Green programs the entire spectrum of energy efficiency.

Some years ago, when I was in Congress and chair of the Science, Research and Technology Subcommittee, I originated and, with the help of Dale Bumpers, passed the Energy Extension Service legislation which Jimmy Carter put into full force and effect, using agriculture extension agents, improving private/public partnerships. This program was allowed to disappear. It remains as a shell, but during the ensuing administrations, no funds were appropriated for it.

I am encouraged that the Green program tries to pick up, it seems to me, on many of the efforts included in that legislation.

I would like to ask that you have your staff look at the Energy Extension Service and see if there are good ideas there. The total cost of that program was $20 million a year, similar to the amount going into the Green program. And I think it might have some meritorious ideas as you move forward into this important area of energy conservation.

Ms. Browner. Thank you very much.

We will definitely take a look at it and we would like to work with you on that.

PESTICIDES RISK

Mr. THORNTON. I would really like to work with you on this matter.

There is one other matter that I would like to bring up, and it is not appropriate to this, but it is appropriate to questions by both Mr. Lewis and Mr. Gallo about the red tape and the regulatory delay, and certainly we know that that happens often, and it causes government to get a black eye.

One particular problem that I am familiar with, while president of the University of Arkansas, I was chosen to chair the National Academy of Sciences committee on the Delaney Clause, the paradox of an absolute no tolerance standard. The EPA was involved, helped with the development of that study.

We brought it to the Congress, testified both in the Senate and the House, and the EPA adopted a uniform standard of negligible risk, rather than having some items not regulated at all, a crazy patchwork quilt in which we would not permit a French pesticide with 10-to-the-minus-tenth tolerance to be put on the market even though it would replace a grandfathered pesticide with 10-to-the-minus-fifth, a huge quantum leap in danger. Recently a court decision has upset the EPA standard.

If there is anything I can do to help the EPA in getting a uniform negligible standard of risk, I volunteer my services.

Ms. BROWNER. It is a very complex law and one that we look forward to working with Congress, with the affected parties, communities, environmental groups, the agricultural interests and the food processing interests, to see if we can develop a consensus that will allow us to move forward.

Mr. THORNTON. Our problem is that naturally-occurring carcinogens like aflotoxins are permitted. There is tolerance for them. Grandfathered pesticides that have not been tested again continue to be used.

The effect that we were concerned about in this study was that this was actually more hazardous than the development of a very tight, strict uniform standard of negligible risk. I think Mr. Delaney would have been proud of that change to his clause.

Ms. BROWNER. Thank you.

Mr. STOKES. Mr. Mollohan.

EFFECT TO WEST VIRGINIA—SRF

Mr. MOLLOHAN. Thank you, Mr. Chairman.

In your testimony you indicate that the most dramatic increase in economic benefits will come with the proposed addition of $845 million to the State Revolving, SRF program. That is where you were going to get the biggest bang for our buck.

There are some problems with that. As I am sure you are aware, I was hearing earlier, in your experience, probably as you have administered or worked on some of these programs, rural communities have a particularly difficult time of paying back this money, such that it becomes a show-stopper for the State implementing the program.

For example, West Virginia has I believe a $57 million back log in the program and cannot get communities to participate in this program. Consequently, I think 50,000 jobs which you estimate being created from accelerating funding for the SRF program, none of those jobs are going to be created in West Virginia based on that fact. There are a couple of areas that we could work on, that I think we could work on that might help that problem.

I guess first of all my question is, in this stimulus package program, is the criteria going to be any different, is it going to be any more flexible? Are there any waivers as to, say, the period of payback, an extension of the period of payback from 20 to 30 years, or maybe even a waiver about how much we are going to pay back? Maybe in these situations where the program is not working as it should or as effectively as it might, to require payback on a less percentage than 100 percent of the loan?

Ms. BROWNER. Perhaps I could just seek to clarify, is it your sense of the needs in your State, they are strictly limited to rural. Because I think the problem you raise is that the rate base perhaps doesn't exist in the rural areas to meet the payment schedule.

Mr. MOLLOHAN. Almost all of my State is rural.

Ms. BROWNER. So you have no——

Mr. MOLLOHAN. It would be virtually—we have some metropolitan areas, but virtually all of my State is rural, West Virginia. And so virtually all of my State has this problem. If this is an accurate number, $57 million falls in this loan fund and cannot find projects because communities cannot stand the payback requirements.

To get from house to house, you are going a quarter of a mile to the next house. Somebody has to pay for that quarter of a mile. The burden is just too great. Not town house to town house, it is farmhouse to farmhouse.

Ms. BROWNER. In the panhandle in Florida, it is predominantly rural, and the collection costs are quite difficult for the ratepayers and to actually fund the payback was extremery difficult. We tried to look at some ways in our State to do it.

I might ask Martha to talk about what flexibility exists in the Federal law.

Mr. MOLLOHAN. I am talking about in this stimulus package, is it any different than the regular program?

Ms. BROWNER. Right now, in the documents that we have sent over, the only difference that is indicated at the moment is that the 20 percent State match would be waived for the $845 million. I don't know if that has been an impediment in your State. It sounds like since you have the money——

Mr. MOLLOHAN. It may be a problem, too.

Ms. BROWNER. That would be waived.

Mr. MOLLOHAN. But this is the show-stopper.

Ms. PROTHRO. With the 20 percent match waived, West Virginia may want to go to zero percent interest, which is in effect a substantial grant economically. I don't have the charts in front of me, but it does work out to quite a subsidy if they want to go that way.

There is also in the stimulus package some funding through RDA that can be used for these purposes, and through a mix with SRF funding, the States may be able to address some of these problems.

I think this whole question of small communities is one that we will have to grapple with in reauthorization of the SRF. We didn't try to solve that problem in all respects in this package. There may be additional things to look at. But there is quite a bit of flexibility here to move in that direction.

Ms. Browner. The monies that will be available to your State, to West Virginia, we estimate to be approximately $13 million. So that may give them some cushion in terms of being able to change some of their State requirements in terms of repayment. They don't have to come up with the 20 percent on the $13 million now. So that should give them some flexibility if they choose to use it.

PAYBACK PERIOD—FLEXIBILITY

Mr. Mollohan. What about the payback period? Is that set by the State or Federal——

Ms. Prothro. That is a Federal 20-year limit.

Mr. Mollohan. So the idea of extending it to 30 years is not an option?

Ms. Browner. That is not currently included.

Ms. Prothro. It is something we are looking at among other things. As part of Clean Water Act reauthorization, these ideas should be further evaluated.

Mr. Mollohan. Would it be possible if the President wanted to waive some of these requirements or to create a greater flexibility in the criteria?

Ms. Browner. Again, I don't want to pretend to understand the rules that the Congress will operate in terms of the package. That may be allowable.

I assume the appropriations process will work in conjunction with the authorizing committees. Obviously they would have to be looked to on something like this.

I don't know that answer. If we could perhaps work with the appropriate people to see what the emergency——

Mr. Mollohan. I would very much like to work with you. You see the irony, really you look around at States with high unemployment rates, West Virginia is usually unfortunately at the top, and you are talking about creating 50,000 jobs in this program, you are not going to create any in West Virginia, and that is a great irony.

The impetus behind this piece of this project, of this program, the stimulus program, is to create jobs. If we are slavishly committed to the criteria, and maybe statutorily we are, but maybe under the emergency rules that we are operating under, maybe there is some flexability here, it would be tremendous to do this, not only to create those construction jobs, but also, as my friend and colleague from Arkansas, Mr. Thornton, pointed out, to create some of that infrastructure. But we have backlogs. We have a crying need for some of this. We have a crying need.

Ms. Browner. We recognize that. Let me just make sure that I accurately understand what you are saying. It is your sense that the most significant hindrance to the use of these funds is the 20-year payback requirement?

Mr. Mollohan. Two significant hindrances. First of all, the 20-year payback requirement, and also, can we change—the fact that you have to pay it all back, that there is not any grant aspect to this program. If we could waive 20 percent or 30 percent of the payback, then you bring it down to where the capital investment per customer would start coming into line with our urban friends.

As I say, we are not going town house to town house, we are going farmhouse to farmhouse.

Ms. **Prothro**. It is not a grant program, it is a revolving loan fund, of course. But as I said, since the interest rates are below market, there is some grant equivalence built into the program. It is not 100 percent, obviously.

SECTION 319 DEMO PROJECTS

Mr. **Mollohan**. I will look forward to working with you. The Chairman is being very kind, we are overdue.

With regard to the non-point source grants, regarding section 319 grants, can't EPA consider waiving these? The problem with these in our area is that they, as I understand it, they are requiring these projects could be innovative and demonstration projects, and that is creating real impediments to moving forward with this program.

We have terrible non-point source problems in West Virginia. Can EPA consider waiving these requirements, the innovative and demonstration characteristics of the projects, in order to stimulate construction jobs and bricks and mortar activity? Can we be more conventional?

Ms. **Prothro**. Again, it is in the law. We have had more than one demonstration of some non-point source types of projects, to private parties only. I think actually there is quite a bit of flexibility built into the law in the way we have interpreted it. But that is something that in the long term may be proper for evaluation. I am not sure it is a problem just now.

If there are problems in West Virginia, I would like to learn more about them. There may be things that we can work out.

Mr. **Mollohan**. We will be in touch with you, because there are problems.

And I guess when you talk about non-point source, States with beneficial projects—I will look forward to talking with you personally about what all that constitutes.

Ms. **Browner**. We will definitely do that.

Mr. **Stokes**. Mr. DeLay?

Mr. **DeLay**. Thank you, Mr. Chairman.

As the Ranking Member explained, I was giving the Red Tape Award for the EPA.

Ms. **Browner**. You didn't bring it to me. Can I have it personally delivered?

Mr. **DeLay**. It is the past administration, I must admit, who is responsible for it.

Let me—and I will be very brief, Mr. Chairman—a couple of things that came out in Mr. Mollohan's testimony. It is obvious you have a list of where the money is going.

Ms. **Browner**. Certainly. It is no secret. It is based on the formula that has been in the statute for a number of years. What we will do is make some copies for you.

Mr. **DeLay**. I don't need it right now, but I would like to have it.

[The information is provided at the end of the justification.]

WAIVER OF REQUIREMENTS

Mr. DeLay. I am concerned about the waiving of some of these things, such as waiving section 319. I am also concerned about the speed-up of spending. I understand your wanting a stimulus package, although in a $6 trillion economy, I am not sure $16 billion is going to be a whole lot of stimulus. It is the symbolism, if you will, that you want, and certainly the jobs it is supposed to generate.

I am very concerned that waiving matching funds and giving waivers and all that kind of thing. At least in my understanding, the reason the Federal Government has always insisted on States matching federal funds over the years is that we have found that if you just give the States or local entities 100 percent of funds, the cost of projects increases substantially, if no local government has a vested interest in containing the cost of those projects.

I am very concerned about local governments maintaining a financial stake in these projects. I am also on the transportation subcommittee and that has a big bulk of this supplemental. In this stimulus legislation we have not a blank check, but a speeding up of spending. We are giving a lot of money to local entities that may have built some of these projects with their own money, or certainly would have designed the project a little bit more economically and efficiently if some of their own money was in the project.

Do you have those concerns?

Ms. Browner. Well, I would like to speak to that point. I think that would be true if we didn't have a tremendous backlog in terms of projects designed and ready to go.

We are not talking about creating a new program and saying to the State: go out and come up with new plans. What we are talking about is a many billion dollar existing need. We have large numbers of municipalities that have the blueprints in hand and they are ready to go, and the money is not there. So this $845 million will be going to those sorts of projects. It is not as if someone is going to design projects anew.

I think the concern you raise, while something we should all be concerned about, would probably be of greater concern to me if we were talking about new projects.

Mr. DeLay. I am sensitive to that, and this subcommittee—I am new to the subcommittee, so I am learning the details of the EPA. Due to redistricting, because Republicans didn't control the legislature in Texas, I am inheriting Superfund sites. So now I am becoming quite aware of cleanup problems because I now have the Brios site and the Crystal Chemical site in Houston.

I want to take this opportunity, as you work your budget through, to give kudos to the ATSDR people that have really worked hard to maintain a community of confidence in our area on the remediation of the Brios site, and answered questions about public health and remediation. I am really pleased with what they have been doing down in Brios.

But I am concerned, as I have found in the transportation committee, that the reason that there is a backlog of projects is that a lot of projects shouldn't be built in the first place. That these are low-priority projects and the reason they keep being put down at the bottom of the list is that they shouldn't be done in the first place.

So I am very concerned that with a big list of backlog projects, and because of fund formulas or as we go through conference committee and some particular Members get their hands on some of this money, certain things will be directed towards States not really based on priority setting, you are going to have some holes being dug to fill other holes.

Ms. BROWNER. There are a number of naturally-occurring checks and balances in the system to prevent some of the problems that you mentioned.

First of all, let's remember that these monies are repaid to the State funds by citizens, by taxpayers. The county commission or the city council has to set a monthly fee that their citizens will pay in terms of the wastewater treatment that they will receive. So there is that whole process, which is not going to be waived. The money for these facilities will have to be repaid to the State funds, so that it can be lent out to another facility.

Mr. DELAY. Let me interrupt you right there. Am I hearing you that the Administration would oppose any amendments to waive those paybacks?

Ms. BROWNER. I think Mr. Mollohan raised a very valid point, one I experienced in Florida in terms of rural communities. Because of the cost of these facilities, the long distances you have to go between the farms and then ultimately to the facility, sometimes it is hard for those communities to meet their payback requirements in a cost-effective manner over the time frame that is provided. And those very issues may be appropriate for discussion, particularly during the Clean Water Act reauthorization debate that will take place.

Mr. DELAY. I am talking about this package.

Ms. BROWNER. We are more than happy to talk to you all about that very issue. Again, it is something that I think for those States that have large rural populations, they have experienced some problems vis-a-vis the requirements in terms of payback.

There is some flexibility, obviously, to the State, perhaps not as much as some of the States would like, and we are more than happy to discuss those. But I think that, to go to one other point that you made in terms of wastewater facilities, people don't like to build sewer plants unless they really need them. No one gets a lot of kudos for going out and building one of these facilities. The ribbon-cutting ceremonies are not as exciting as for other types of projects. I have to tell you that nobody cares what happens when their dishwater drains, other than the fact that the water leaves their house. They could care less what happens to it.

So we are into a type of project that I don't think perhaps is as inclined to some of the misuses, perhaps, that——

Mr. DELAY. You say that, but the Clean Water Act, as I understand it, mandates building those projects.

Ms. BROWNER. Because right now we have many facilities in this country which, after they treat the wastewater and discharge to the rivers, lakes, streams and oceans and bays of this country, that do not meet the standards. They are in violation of the standards.

We are continuing to degrade this country's water bodies because we are failing to clean the water, the wastewater to a standard that will allow for the protection, for the balance of the ecosystem.

JOB CREATION

Mr. DeLay. Very quickly, Mr. Chairman, and I have already taken longer than I said I would, you say 16,000 jobs will be created by this legislation, right?

Ms. Browner. Yes. That is direct and indirect.

Mr. DeLay. When do they come? Do they come this year? Do they come next year? When do you anticipate seeing these jobs being created?

Ms. Browner. The way this has been projected, and we have talked about this earlier, so I will move quickly, but the $845 million will be the budget authority and then we would outlay almost all of the funds over another four-year period. We would see some of these jobs occurring immediately, but a number of direct and indirect would be created over a four-year period as the cities and municipalities——

Mr. DeLay. But this is an emergency supplemental.

Ms. Browner. Right.

Mr. DeLay. Where is the emergency? How many jobs are we going to get out now with this emergency legislation——

Ms. Browner. The other point I would make vis-a-vis the outlays is that the formula used for determining what the outlays will be on any individual year is the formula that has been used historically. We anticipate that the outlays could be higher because you don't have the 20 percent State match that you have in prior years. So that could speed up the job creation.

I think the important thing to remember about this package is, yes, it is job creation. It is also environmental protection, it is infrastructure. There is an awful lot of things that are going to happen at a very, very positive benefit to local communities and to this country as a whole.

Mr. DeLay. I understand that, and I don't want to be argumentative, but this is supposed to be an emergency measure, and all of those things can over the years be done. I am just trying to understand, why we are doing this? How many jobs we are creating this year out of the 16,000? Do we know that?

Ms. Browner. If the outlays continue based on past assumptions, and we have reasons to believe they will increase, we would create approximately 5,000 jobs in the first one to two years, based on current outlay rates.

Mr. DeLay. With all due respect, that doesn't sound like an emergency to me.

Ms. Browner. We believe there is a tremendous need here. Every Member I visit talks about the need in their community, that they are not able to build a facility. They believe this is an important need.

I understand your concern. We believe it will generate jobs, both direct and indirect.

Then there is the leveraging effect which I spoke to earlier, which is when you have increased wastewater treatment facilities, there is ability for other development that cannot otherwise take place. Martha spoke to the fact that bays and estuaries are being degraded such that fish and shellfish activity cannot be conducted in those water bodies.

So there is an awful lot of spinoff from this amount of money. And I think the impact of this will be largely—it will be greatly expanded, greatly increased.

Mr. DeLay. Thank you, Mr. Chairman.

Mr. Stokes. Ms. Browner, you will be pleased to know we do have a female on this subcommittee. I would love to yield to her at this time.

Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman.

I apologize for not being here. We were being de-iced in Detroit. We have had very bad weather in the Midwest. I think there must be a new FAA regulation. They make the first mate come out and look out all the windows. It gives you a little more security. It made me wonder why they didn't do it before, all these years.

We welcome you, and I am very pleased to see someone of your caliber at the head of EPA. I will not prolong the hearing. I understand we are about a half hour behind at this point. But just to say that I know you have extensive experience here on the Hill, and you were in the State of Florida prior to assuming your present position, and we hope that the deep concerns of the Midwest, particularly the Great Lakes region, which have been ignored for a very long time, will have full hearing at EPA, and that the people you will place in key positions there will have a great deal of interest in our lakes issues as well as some of our industrial cleanup problems.

I am curious whether any of the stimulus will, and I have not had a chance to look at different parts of the budget on this, will any parts of the budget for the stimulus deal with industrial site cleanup, if we have projects that are ready to go in that regard?

Ms. Browner. Not directly. The SRF, the State Revolving Fund monies will increase wastewater capacity, which will allow industry—I think Mr. Chapman made reference to an interest in his State that was not able to locate and create 700 jobs because there was not adequate wastewater treatment capacity.

So in that way, this may allow some of the industries in your State, in your district, that need to upgrade their treatment capacity, to do so. But in terms of actual cleanups, you can also deal with out-falls that will be able to be cleaner, but if you are speaking to Superfund-type cleaner, no, it is the wastewater.

Ms. Kaptur. Thank you, Mr. Chairman.

Mr. Stokes. Thank you.

Unless any Member has a burning question, it will be the intention of the Chair at this time to conclude the hearing with Ms. Browner and the EPA agency. Let me say to you that we had originally set aside approximately a hour and a half for your hearing and we have now exceeded two hours. I think you can see from the number of questions posed by all the Members of the committee that there is a great deal of interest in your agency and your testimony here today.

I want to thank you. You have given us some excellent testimony, and we are very proud to have you appear here, and we look forward to working with you.

Ms. **Browner**. Thank you, Mr. Chairman, and Members of the committee. I look forward to working with you all on this, and on all of our other issues.

I have to say I am very heartened by the level of knowledge that the Members of the committee have vis-a-vis these very important programs. I felt like there were a number of good points raised today and ones that we look forward to looking at, both in the short term and the long term.

Mr. **Stokes**. Thank you very much.

FISCAL YEAR 1993

ECONOMIC STIMULUS PACKAGE

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

JUSTIFICATION OF APPROPRIATION ESTIMATES FOR COMMITTEE ON APPROPRIATIONS

ENVIRONMENTAL PROTECTION AGENCY

FY 1993 Economic Stimulus Package

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Environmental Protection Agency
Summary of Budget Authority and Outlays
By Appropriation
(dollars in thousands)

	FY 1992 Actuals	FY 1993 Enacted	FY 1993 Econ. Stimulus	FY 1993 Enacted + Econ. Stimulus	Delta Revised Enacted vs. Actuals
PRO Account					
Budget Authority	1,035,549	823,607	2,818	826,425	(209,124)
Outlays	1,065,788	879,056	2,649	881,705	(184,083)
Office of Inspector General Trust					
Budget Authority	15,577	16,380	0	16,380	803
Outlays	12,112	14,354	0	14,354	2,242
Office of Inspector General					
Budget Authority	25,623	26,419	0	26,419	796
Outlays	26,669	26,849	0	26,849	180
Research and Development					
Budget Authority	318,400	323,000	0	323,000	4,600
Outlays	251,815	314,069	0	314,069	62,254
Abatement, Control and Compliance (incl Admin Exp)					
Budget Authority	1,097,442	1,318,965	67,624	1,386,589	289,147
Outlays	942,295	1,246,599	29,266	1,275,865	333,570
Asbestos Loan Program					
Budget Authority	19,400	31,225	0	31,225	11,825
Outlays	2,147	13,164	0	13,164	11,017
Buildings and Facilities					
Budget Authority	39,300	134,300	0	134,300	95,000
Outlays	16,412	55,407	0	55,407	38,995
Oil Spill Response					
Budget Authority	18,434	20,000	0	20,000	1,566
Outlays	8,604	16,545	0	16,545	7,941
SUBTOTAL, OPERATING PROGRAMS					
Budget Authority	2,569,725	2,693,896	70,442	2,764,338	194,613
Outlays	2,325,842	2,566,043	31,915	2,597,958	272,116
Hazardous Substance Superfund					
Budget Authority	1,600,128	1,573,528	0	1,573,528	(26,600)
Outlays	1,290,670	1,599,263	0	1,599,263	308,593
LUST Trust Fund					
Budget Authority	75,000	75,000	0	75,000	0
Outlays	67,289	74,331	0	74,331	7,042
Construction Grants					
Budget Authority	2,400,000	2,550,000	845,300	3,395,300	995,300
Outlays	2,420,825	2,397,297	38,546	2,435,843	15,018
TOTAL, EPA					
Budget Authority	6,644,853	6,892,424	915,742	7,808,166	1,163,313
Outlays	6,104,626	6,636,934	70,461	6,707,395	602,769

ENVIRONMENTAL PROTECTION AGENCY

State Revolving Funds/Construction Grants

For an additional amount for "State revolving funds/Construction grants" to make grants under Title VI of the Federal Water Pollution Control Act, as amended, $845,300,000, to remain available until September 30, 1993: Provided, That notwithstanding section 602(b)(2) of such Act, no State match shall be required for this additional amount.

This supplemental request would provide an additional $845.3 million in capitalization grants for waste water State Revolving Funds as authorized under Title VI of the Clean Water Act for the construction of sewage treatment facilities.

FY 1993 Economic Stimulus Package
STATE REVOLVING FUND PROGRAM

Economic Stimulus

Wastewater State Revolving Funds (SRFs) -- provide $845 million in FY 1993 to complete the $18 billion authorization for Titles II and VI under the Clean Water Act.

Current Program

- EPA is providing a total of $2.5 billion to States: $1.9 billion for the SRF program and $600 million for grants to projects in coastal areas, along the Mexican border, and other priority projects.
- EPA awards grants to the States based on the CWA allotment formula. States select projects from their lists of priority projects.
- States are required to provide 20 percent matching funds.
- States may generate additional capital for their SRFs by issuing bonds and depositing the proceeds in the fund. Currently 13 States "leverage" their funds in this manner.
- Since 1988, $7.8 billion has been appropriated for capitalization grants. Along with the required 20 percent match and proceeds of leverage bond issues, capitalization of the SRFs as of September, 1992, exceeds $10 billion.
- Loan assistance to cities is available for:
  - Municipal wastewater facilities, including:
    - Wastewater treatment plants
    - New interceptor and collector sewers
    - Sewer rehabilitation
    - Sewer infiltration/inflow correction
    - Stormwater management
    - Correction of combined sewer overflows
  - Nonpoint source (NPS) management
  - Estuary management plan development and implementation
- To date, States have provided a total of $6.6 billion in loans. Funds have supported the following activities:

Municipal wastewater treatment plants:	69%
Sewers:	26%
Other:	5%

New Investment

- The additional funding requested would provide States an additional $845 million to further capitalize their SRF programs.

- The additional funds will help fund remaining needs for municipal wastewater facilities and help address serious water quality problems. These needs estimates reflect the aging of facilities previously funded under the construction grants program, inflation, more vigorous implementation of requirements pertaining to toxics and sludge management, and inclusion of other water quality activities under the SRF eligibilities.

- States report approximately $4 billion in wastewater projects ready to go that do not have identified funding commitments.

- EPA obtained information from F.W. Dodge, Inc. regarding projects which would be ready for construction during 1993.
  - For wastewater projects, the Dodge data show a total of 10,253 projects costing $11.9 billion:
  - 1590 projects costing $4.7 billion for treatment.
  - 8663 projects costing $7.2 billion for sewers.

- In addition to environmental benefits, the additional investment will reduce beach closings, fish kills (including bans and advisories), and public health concerns with fish consumption; increase commercial and sport fishing; and improve recreation and tourism, habitat, and variety and quality of fish species.

- The Agency will accelerate processing of grant awards to States and work with the States to make loans more quickly to create jobs as soon as possible.
  - The Administration has proposed to waive the State match requirement for the additional funds.
  - All funds must be obligated by September 30, 1993.
  - The Agency will encourage States to select projects which can start construction immediately.
  - The Agency will streamline grant award processes.
  - The Agency is preparing a deviation from the SRF regulations which will make project refinancing more attractive. This change should encourage communities to initiate construction prior to receiving an SRF loan commitment.

- The type of projects funded with the supplemental appropriation will be similar to these created under the current program (i.e., States will continue to fund primarily municipal wastewater facilities rather than other SRF-eligible activities). However, to the extent that States select projects which are ready to go, there may be a higher share of sewer projects. (Approximately 85% of the ready-to-go projects are sewer related.)
  - States identify projects on their Intended Use Plans which they submit to the Agency as part of their applications for SRF capitalization grants.
  - These projects are likely to be selected from among the $5 billion worth of projects which the States identified as being ready to go.
- The Administration estimates that the $845 million will generate about 16,500 direct and indirect jobs between 1993 and 1997. Approximately 34,000 additional jobs could be generated, including induced jobs from industries attracted by additional wastewater treatment capacity.

ENVIRONMENTAL PROTECTION AGENCY

Abatement, Control, and Compliance

For an additional amount for "Abatement, control, and compliance," to make grants authorized under section 319 of the Federal Water Pollution Control Act, as amended, $46,961,000, to remain available until September 30, 1993: Provided, That notwithstanding section 319(h)(3) of such Act, no State match shall be required for this additional amount.

This supplemental request would provide an additional $47 million for non-point source grants under Section 319 of the Clean Water Act.

FY 1993 Economic Stimulus Package
Watershed Resource Restoration Grants

Economic Stimulus

- EPA will provide an additional $47 million in FY 1993 Clean Water Act section 319 nonpoint source (NPS) grants to States, creating job-intensive opportunities for Americans to protect and restore watersheds through an investment in natural infrastructure.

- Creation rate of direct jobs is at least as high as that of other governmental spending, since ecological restoration is a new and undercapitalized industry; indirect and induced employment will be substantial.

- New program will fund natural infrastructure needed to restore and maintain the physical and biological integrity of the Nation's waters and aquatic ecosystems.

- Grants will support ready-to-go watershed restoration projects that improve aquatic habitat and water quality. EPA has identified a large number of proposed, though unfunded, restoration projects.

- To promote the most efficient and effective start-up of the program, the State match for these additional funds is being waived. Waiving the State-match requirement will allow new funds to address the most pressing habitat and water quality problems immediately in all States.

Current Program

- EPA is currently providing $50 million in FY 1993 section 319 grants to all states and territories.

- These funds support implementation of programs to address NPS pollution, reported by States to be the single greatest remaining contributor to water quality problems.

- EPA's Science Advisory Board has recommended increasing emphasis on ecological protection to parallel traditional human health concerns.

- Providing significant matching contributions to supplement Federal funds, States are targeting high-priority watersheds for the abatement and prevention of NPS pollution, particularly in critical aquatic resources and habitats such as warm and cold-water fisheries, estuaries, near coastal waters and wetlands.

- Creative approaches to addressing water quality issues are emphasized:
    - Public education and technology transfer among all levels of government;
    - innovative prevention and control techniques such as nutrient management and wetlands construction;
    - State and local regulatory and enforcement mechanisms;
    - environmental/biological indicators to help determine the success of various control practices;
    - techniques to avoid ground-water contamination.
- About 50% of existing funds are distributed competively to support improvement activities in specific watersheds. The other 50% supports Statewide programs to abate nonpoint source runoff.

New Investment

- The new investment of $47 million will almost double EPA's current FY 1993 investment in State nonpoint source management and watershed improvement projects.
- Targeting those projects with the greatest jobs-creation potential, States will fund ready-to-go projects that will also provide substantial ecological improvements.
- Funds will be used to fund scores of identified restoration and polluted runoff control projects via section 319 grants, including a wide range of activities focusing on:
    - restoration of riparian habitats in man-altered watersheds;
    - construction and management of bio-engineered treatment systems; for polluted runoff and animal wastes;

  - urban lake renewal;
  - improvement and restoration of important wetland habitats;
  - protection of estuarine and coastal resources.

- Funds will create 1,400 direct and indirect jobs between 1993 and 1997. EPA estimates 1,000 induced jobs will also result.

- In addition to traditional construction activities related to building animal waste treatment facilities and bio-engineered stormwater systems, direct jobs created by these projects will involve labor-intensive activities such as:

  - engineering vegetative systems to protect shorelines;
  - planting of trees to control stream temperature and provide habitat;
  - reshaping or restoration of altered stream channels and riparian habitats,

  and would support a wide range of employment, from unskilled and construction workers to scientists:

  - laborers;
  - heavy equipment operators;
  - horticulturists;
  - fishery biologists;
  - hydrologists;
  - engineers.

- Indirect employment impacts will be on industries supplying goods and services to aquatic restoration and polluted runoff projects, many of which are new (and relatively undercapitalized) and labor-intensive. Examples of indirect jobs are:

  - development of aquatic restoration materials, such as wetlands plants and specialty fertilizers for restoration projects;
  - those relating to improved recreational opportunities such as fishing, wildlife viewing, hunting, swimming and boating;
  - retail/commercial products and services.

- In the longer term, these investments will result in marked environmental improvements in local aquatic habitats across the country.
- These new funds are requested under the Abatement, Control and Compliance appropriation.

ENVIRONMENTAL PROTECTION AGENCY

Program and Research Operations

For an additional amount for "Program and research operations," $2,818,000.

Abatement, Control, and Compliance

For an additional amount for "Abatement, control, and compliance," $20,663,000, to remain available until September 30, 1993.

This supplemental request would provide $23 million in additional funding to expand the Environmental Protection Agency's (EPA) voluntary "green programs" that promote private-sector energy conservation.

FY 1993 Economic Stimulus Package (Green Programs)

Economic stimulus

- Provides $23.5 million to greatly expand EPA's voluntary, profitable "Green Programs" to promote energy efficiency in the private sector and reduce greenhouse gas emissions.

Current Program

- The current program has $8 million in resources for FY 1993.
- Over the past two years the Global Change Division has launched highly successful pollution prevention programs. They are voluntary, profitable, and consist of partnerships between the private sector and the federal government.
- The "Green Programs" encourage the use of energy-efficient technologies that can dramatically reduce energy consumption and prevent pollution while delivering better products to the marketplace.
- To date, EPA has active, signed agreements with businesses and local governments affecting an equivalent of 5% of commercial office space in the U.S., over 40% of computer sales, and utilities responsible for over 23% of American households.
- These programs are poised for phenomenal growth and will continue over the next decade to simultaneously prevent pollution and increase productivity of businesses by improving energy efficiency and use of resources.
- The focus of the "Green Programs" in FY 1993 has been on the following voluntary programs:

  -- **Green Lights** - In partnership with EPA, energy efficient lighting is installed wherever it is profitable. Over 750 corporations have already committed to the program.

  -- **Energy Star Computers** - Partnerships with 40 manufacturers will introduce desktop computers that cut energy use by 50% without sacrificing performance or raising prices.

  -- **Energy Star Buildings** - Stimulates the market for highly efficient heating, ventilation, air conditioning and water heating technologies.

  -- **Profitable Use of Methane** - Captures lost energy from coal mining, natural gas pipelines, agricultural wastes, livestock and landfills by providing motivation and know-how and by overcoming institutional obstacles.

New Investment

- o The Administration is providing an additional $23.5 million in FY 1993, which could stimulate an additional $1 billion in investment on energy efficiency by the private sector.
    - These voluntary "green programs" will stimulate surveyors and auditors to identify and execute more projects with more efficient products. This stimulus will create new private investment that would not have otherwise have taken place, thereby creating jobs. It will also allow the re-investment of profits created by energy saving and efficient methane capture and use.
    - The $23.5 million federal investment provides technical support to foster energy-efficient technologies. This investment will create 470 new jobs directly over three years. Once fully implemented in the private sector, we believe that this investment could leverage up to 25,000 new jobs.
- o Jobs will be created by these programs in four ways:

  (1) direct jobs for implementing the programs (energy auditors, etc.);
  (2) indirect jobs attributable to accelerated private sector investments made by companies in new lighting, heating, ventilation, building materials and other equipment;
  (3) dollars saved from fuel and energy production that can be reinvested in new jobs and competitiveness; and
  (4) jobs related to expanded exports in energy efficient technologies.
- o Green Programs would be profitable immediately. The attached exhibit illustrates how these processes will work for Green Lights, the flagship EPA Green Program.

Program Descriptions

- o The $23 million increment will be invested into 3 programs: Green Lights, Energy Productivity and Methane.
- o Green Lights is a voluntary program for installing energy efficient lighting wherever it is profitable. Green Lights is currently limited not by the interest of corporations across American in the program or in the expertise EPA can provide, but in the staff size and contractor resources to market and provide technical implementation support.
    - -- The 1993 increase in resources (+$8.5 M) will support new activities resulting in the creation of 170 direct jobs and could induce the creation of an estimated 14,700 jobs.[1]
    - -- EPA will be able to significantly augment its marketing and sales effort, intensify its implementation assistance, and launch new auditing and technical programs. Special emphasis will be placed on accelerating investments corporations have already committed to

make in contracts with EPA (e.g., the 750+ existing Green Lights partners that have five years to upgrade their facilities).

- Energy Productivity consists of a series of programs including Energy Star Buildings (heating, ventilation and air conditioning), Computers, and Residential (e.g., "Golden Carrot") Programs aimed at increasing the productivity of energy systems wherever profitable. Like Green Lights, these efforts are primarily limited by EPA's ability to support efforts in new technology areas with demonstrated potential.
  - The 1993 increase (+$9.0 M) will result in the creation of 180 direct jobs and could induce the creation of an estimated 1,600 jobs.[3]
  - In the buildings area, EPA will be able to significantly augment its marketing and sales effort, intensify its implementation assistance, and launch new auditing and technical programs to ensure that every building in the U.S. has the opportunity to understand where its energy goes and how to save money with improved technologies. We expect a major increase in electronics used for speed control in ventilating and air conditioning systems, significant price reductions, and an expansion of manufacturing capacity.
  - In terms of Energy Star Computers, our effort will target a community-based outreach program to local vendors and users of computer equipment. Up to one-third of all computer equipment is bought and sold in local "mom and pop" shops that are currently unaware of the economic and environmental benefits of Energy Star equipment.
  - In the residential sector, seed development of future EPA work with utilities, builders and vendors will increase market demand and begin development of innovative financing mechanisms for advanced heat pumps, water heating systems, increased insulation, and a number of additional residential technologies (including those using natural gas) that will create an enormous amount of jobs.
- Methane. Since methane has energy value, its emission to the air is equivalent to energy evaporating before use. Lack of motivation and know-how, as well as institutional obstacles, have prevented this resource from achieving effective utilization.
- The 1993 increase (+$6.0 M) will create 120 direct jobs and could induce the creation of an estimated 8,800 jobs[3] through activities that will seek to profitably capture this "lost energy". Working with the Departments of Interior and Agriculture the following projects compose the Methane program:
  - Coal mines - the programs will be aimed at generating methane capture in Appalachia during coal mining and then fully exploiting

this resource so that jobs equal to half of the current coal mining jobs are eventually created extracting methane.

-- **Natural Gas Star** - a voluntary program with industry will aim at accelerating investments to reduce pipeline leaks and increase exports to the former Soviet Union of this technology.

-- **Agricultural Wastes** - a program with the objective of accelerating farmer utilization of waste as an energy source by investing in collection systems and generators and/or absorption refrigeration.

-- **Livestock** - will aim at partitioning carbon to useful products (milk and meat) by nutritional supplements and/or range improvements.

-- **Landfills** - will aim at helping small communities meet local energy demand and the need for acceptable landfilling by creating a recovery industry profitable for these communities.

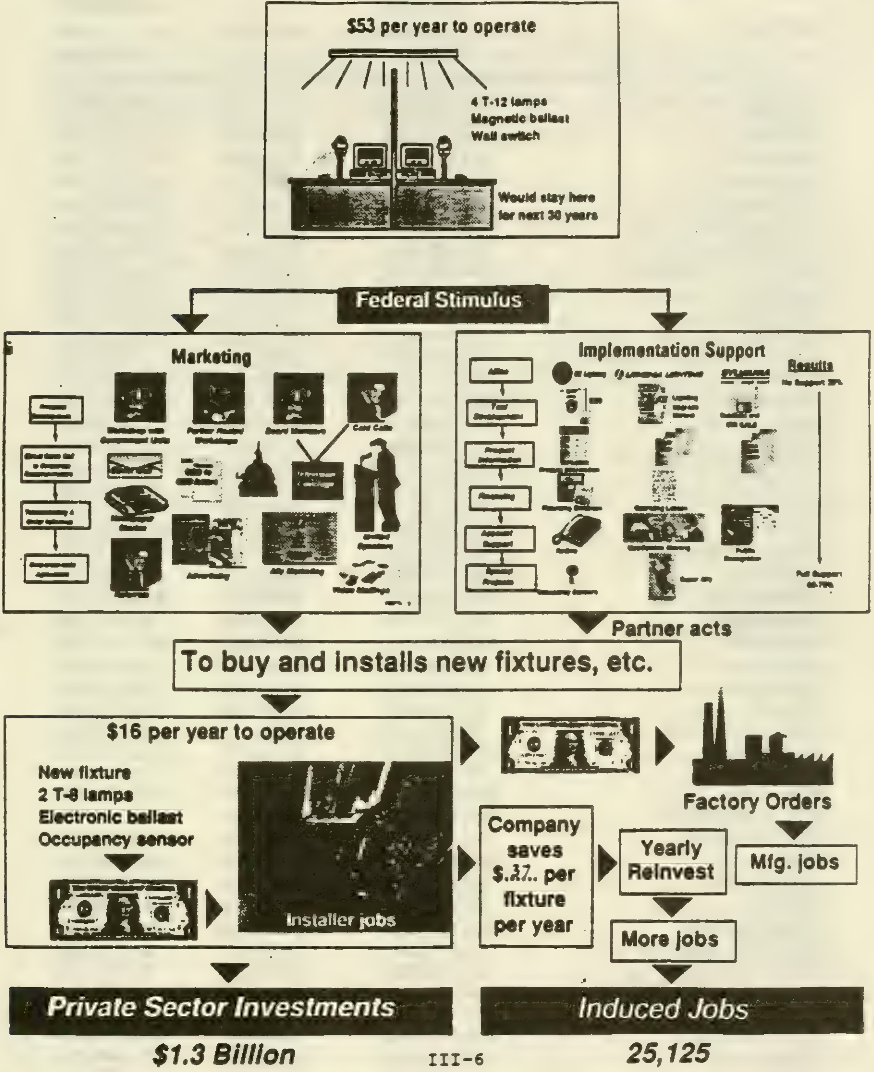
Calculation of Induced Private Sector Job Creation

1. The following form the basis for the estimates of induced job creation for Green Lights:
   Current Green Lights participants = 3 billion square feet;
   With the accelerated program 11% perform upgrades in 1993;
   Expenditure for upgrade = $2 per square foot
   —> 1993 total expenditures by Green Lights partners = $669 million direct,
   PLUS 10% additional indirect investment (i.e. the money saved is reinvested).
   Spending $50,000 creates 1 job (source: S. Laitner, University of Oregon, personal communication, January 1993).
   —>($669 million -$67 million)/$50,000 = 14,714 jobs

2. The following form the basis for the estimates of induced job creation for Energy Productivity Programs:
   With the accelerated Buildings program 66 million square feet perform upgrades in 1993; Expenditure for upgrade = $1.12 per square foot
   —> 1993 total expenditures by Energy Star Building partners = $74 million direct,
   PLUS 10% additional indirect investment (i.e. the money saved is reinvested).
   Spending $50,000 creates 1 job (source: S. Laitner, University of Oregon, personal communication, January, 1993).
   —> ($74 million + $7 million)/$50,000 = 1625 jobs

3. Natural Gas Star: 10% of industry invests in high-bleed pneumatic controls = $20 million; Ag Star: At project costs of $100,000 per facility, 500-4000 farms = $50-$400 million; Landfills; Project costs = $1.5 - $7.5 million per project, 100 projects over the next year = $150-$750 million;
   —> $200-$1170 million plus indirect benefits of 10% =
   4800-25,700 jobs —> 8,786 estimate.

How Voluntary Programs Create Jobs Increase Competitiveness



DRAFT

STATE	FY 1993 STATE ALLOTMENT	604(b)(4)	ALLOTMENT LESS 604(b)(4)
ALABAMA..........	$9,520,500	$100,000	$9,420,500
ALASKA..........	$5,095,700	$100,000	$4,995,700
ARIZONA..........	$5,750,700	$100,000	$5,650,700
ARKANSAS..........	$5,569,700	$100,000	$5,469,700
CALIFORNIA..........	$80,066,900	$800,000	$79,266,900
COLORADO..........	$6,810,900	$100,000	$6,710,900
CONNECTICUT..........	$10,430,000	$104,000	$10,326,000
DELAWARE..........	$4,179,800	$100,000	$4,079,800
DIST. OF COLUMBIA..	$4,179,800	$100,000	$4,079,800
FLORIDA..........	$28,740,100	$287,000	$28,453,100
GEORGIA..........	$14,395,700	$144,000	$14,251,700
HAWAII..........	$6,594,200	$100,000	$6,494,200
IDAHO..........	$4,179,800	$100,000	$4,079,800
ILLINOIS..........	$36,507,300	$365,000	$36,142,300
INDIANA..........	$20,519,400	$205,000	$20,314,400
IOWA..........	$11,523,300	$115,000	$11,408,300
KANSAS..........	$7,655,800	$100,000	$7,555,800
KENTUCKY..........	$10,836,400	$108,000	$10,728,400
LOUISIANA..........	$9,359,700	$100,000	$9,259,700
MAINE..........	$5,500,900	$100,000	$5,400,900
MARYLAND..........	$20,592,600	$205,000	$20,387,600
MASSACHUSETTS..........	$26,907,800	$269,000	$26,638,800
MICHIGAN..........	$36,609,700	$366,000	$36,243,700
MINNESOTA..........	$15,649,200	$156,000	$15,493,200
MISSISSIPPI..........	$7,671,000	$100,000	$7,571,000
MISSOURI..........	$23,603,100	$236,000	$23,367,100
MONTANA..........	$4,179,800	$100,000	$4,079,800
NEBRASKA..........	$4,354,900	$100,000	$4,254,900
NEVADA..........	$4,179,800	$100,000	$4,079,800
NEW HAMPSHIRE..........	$6,506,000	$100,000	$6,406,000
NEW JERSEY..........	$34,786,000	$341,000	$34,445,000
NEW MEXICO..........	$4,179,800	$100,000	$4,079,800
NEW YORK..........	$93,978,100	$940,000	$93,038,100
NORTH CAROLINA..........	$15,366,400	$154,000	$15,212,400
NORTH DAKOTA..........	$4,179,800	$100,000	$4,079,800
OHIO..........	$47,931,800	$479,000	$47,452,800
OKLAHOMA..........	$6,876,800	$100,000	$6,776,800
OREGON..........	$9,618,200	$100,000	$9,518,200
PENNSYLVANIA	$33,726,400	$337,000	$33,389,400
RHODE ISLAND..........	$5,717,000	$100,000	$5,617,000
SOUTH CAROLINA..........	$8,722,500	$100,000	$8,622,500
SOUTH DAKOTA..........	$4,179,800	$100,000	$4,079,800
TENNESSEE..........	$12,368,600	$124,000	$12,244,600
TEXAS..........	$66,989,600	$669,000	$66,320,600
UTAH..........	$4,466,200	$100,000	$4,366,200
VERMONT..........	$4,179,800	$100,000	$4,079,800
VIRGINIA..........	$17,424,700	$174,000	$17,250,700
WASHINGTON..........	$14,806,500	$148,000	$14,658,500
WEST VIRGINIA..........	$13,272,700	$133,000	$13,139,700
WISCONSIN..........	$23,018,000	$230,000	$22,788,000
WYOMING..........	$4,179,800	$100,000	$4,079,800
AMERICAN SAMOA..........	$764,400	*	$764,400
GUAM..........	$553,100	*	$553,100
NORTHERN MARIANAS.	$355,800	*	$355,800
PUERTO RICO..........	$11,104,900	$111,000	$10,993,900
PACIFIC TRUST TERR.	$308,000	*	$308,000
VIRGIN ISLANDS..........	$449,700	*	$449,700
SUBTOTAL	$641,073,500	$6,477,000	$634,596,500
INDIAN SET-ASIDE	$4,226,500		
TOTAL	$645,300,000		

ENVIRONMENTAL PROTECTION AGENCY

Abatement, Control, and Compliance

For an additional amount for "Abatement, control, and compliance," to make grants authorized under section 319 of the Federal Water Pollution Control Act, as amended, $46,961,000, to remain available until September 30, 1993: Provided, That notwithstanding section 319(h)(3) of such Act, no State match shall be required for this additional amount.

This supplemental request would provide an additional $47 million for non-point source grants under Section 319 of the Clean Water Act. Non-point source pollution, such as runoff from farms, mining sites and city streets, is now the largest cause of pollution in our Nation's waters. Reductions in non-point source pollution would help restore watersheds and estuaries, leading to increased numbers of fish and other aquatic life, and improving fishing and recreational opportunities in urban, suburban and rural areas. In order to ensure that funds are obligated promptly for "ready-to-go" Section 319 projects, the statutory requirement for a 40 percent state match would be waived for these additional funds.

This proposal would result in increased obligations of $47 million in FY 1993 and would increase FY 1993 outlays by $23 million. An estimated total of 1,160 new jobs would be generated by this proposal in FY 1993 and FY 1994.

ENVIRONMENTAL PROTECTION AGENCY

Program and Research Operations

For an additional amount for "Program and research operations," $2,818,000.

Abatement, Control, and Compliance

For an additional amount for "Abatement, control, and compliance," $20,663,000, to remain available until September 30, 1993.

This supplemental request would provide $23 million in additional funding to expand the Environmental Protection Agency's (EPA) voluntary "green programs" that promote private-sector energy conservation. This effort would build on EPA's already successful "Green Lights" program in which Fortune 500 companies are encouraged to convert profitably to more energy-efficient lighting and thereby reduce electricity generation and greenhouse gas emissions. Candidates for additional "green programs" include energy-efficient industrial motors, residential clothes washers and dryers, and heat pumps.

This proposal would result in increased obligations of $23 million in FY 1993 and would increase FY 1993 outlays by $8 million. An estimated 390 jobs would be generated by this proposal in FY 1993 and FY 1994.

ENVIRONMENTAL PROTECTION AGENCY

State Revolving Funds/Construction Grants

For an additional amount for "State revolving funds/ Construction grants" to make grants under Title VI of the Federal Water Pollution Control Act, as amended, $845,300,000, to remain available until September 30, 1993: Provided, That notwithstanding section 602(b)(2) of such Act, no State match shall be required for this additional amount.

This supplemental request would provide an additional $845.3 million in capitalization grants for waste water State Revolving Funds as authorized under Title VI of the Clean Water Act for the construction of sewage treatment facilities. This would accelerate completion of the $18 billion waste water treatment grant authorization that was scheduled to end in FY 1994. In order to ensure that funds would be obligated promptly for "ready-to-go" Title VI projects, the statutory requirement for a 20 percent state match is being waived for these additional funds. However, a new requirement, that the additional funds be obligated in FY 1993, is being imposed.

This proposal would result in increased obligations of $845.3 million in FY 1993 and would increase FY 1993 outlays by $38.5 million. An estimated total of 4,900 jobs would be generated by this proposal in FY 1993 and FY 1994.

TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF VETERANS AFFAIRS

WITNESSES

HON. JESSE BROWN, SECRETARY, DEPARTMENT OF VETERANS AFFAIRS

HON. HERSHEL W. GOBER, DEPUTY SECRETARY

C. WAYNE HAWKINS, DEPUTY CHIEF MEDICAL DIRECTOR FOR ADMINISTRATION AND OPERATIONS

D. MARK CATLETT, ACTING ASSISTANT SECRETARY FOR FINANCE AND INFORMATION RESOURCES MANAGEMENT

RICHARD PELL, JR., DEPUTY CHIEF OF STAFF

Mr. STOKES. The committee will come to order.

Personally, I want to welcome the new Secretary of Veterans Affairs, Mr. Jesse Brown, and also the new Deputy Secretary, Hershel W. Gober. We also welcome Wayne Hawkins, the Deputy Chief Medical Director, and Mark Catlett, the Acting Assistant Secretary for Finance and Information Resources Management. Mr. Hawkins and Mr. Catlett have previously appeared before the subcommittee.

Mr. Secretary, we apologize for being a little late. We ran overtime in our first hearing this morning. So we apologize to you for being late.

We are delighted to have you as Secretary of the Department of Veterans Affairs, and to have you in your first appearance before our subcommittee. We look forward to your testimony and the chance to pose questions to you and to work with you in your new capacity.

Secretary BROWN. Thank you so much, sir.

Mr. STOKES. Thank you.

At this time you can proceed in any way you would like.

Secretary BROWN. Thank you so much, Mr. Chairman.

Mr. Chairman, Members of the subcommittee, it is a pleasure to meet with you today to discuss President Clinton's economic proposal and its impact on the Department of Veterans Affairs. I will make my comments very brief.

Before I begin to outline the effects this supplemental will have on the VA, I wish to emphasize that this is not just a petition for more money. Rather, the funding requested in conjunction with the President's economic stimulus package will not only benefit our nation's veterans by improving patient care facilities and making improvements to our cemeteries, but also help boost the economy and provide much-needed jobs.

As part of President Clinton's economic stimulus package, $235.5 million has been included in the fiscal year 1993 supplemental appropriation for VA construction activities. Of this amount, $201.9 million will be targeted for nonrecurring maintenance and repair projects at hospitals nationwide. The remaining $32.9 million will be used to improve operations and eliminate deficiencies at hospitals and national cemeteries through the minor construction program.

This funding, which will be spent prudently and expeditiously, will also benefit many local economies by providing employment for thousands of capable Americans working in conjunction with

VA-related projects. It is anticipated that 4,700 new jobs will be created by these activities.

VA has identified approximately 1,200 projects at 168 hospitals and six cemeteries for funding across the country. Projects identified for this initiative will address the most immediate construction priorities. These efforts will encompass an array of exterior restorations such as repairs to roofs, roads, parking lots, and utility systems.

In addition, these funds will be used to address many interior renovations such as hospital bed conversions, modernization of patient treatment areas, wards and other patient support facilities.

It is hoped that the $235 million economic strategic plan will not reduce critically needed funding next year. To date, there is a $2 billion backlog for these programs which remains unfunded.

For the VA national cemetery system, the supplemental will fund projects to repair and improve roads, buildings, water supply systems, as well as projects to prepare land for future burial sites.

This supplemental request also will provide funding to enhance the government-wide Federal Energy Management program. The VA's share for this program will be $751,000, and will be used to fund projects to improve energy efficiency at VA facilities.

I look forward to working with you and the Members of this subcommittee to ensure that these proposals are fully implemented. We owe that to our veterans and to our future.

This completes my prepared statement. I will be pleased to answer any questions the committee might have.

[Biographical sketches of the Secretary and Deputy Secretary follow:]

Department of Veterans Affairs

Washington, D.C.

The Honorable Jesse Brown

Jesse Brown was sworn in by President Clinton as the Secretary of Veterans Affairs on January 22, 1993. Secretary Brown directs the federal government's second largest department, responsible for a nationwide system of health-care services, benefits programs and national cemeteries for America's 27.2 million veterans. He is the second person to hold this office since VA became a cabinet department in March 1989.

A combat-disabled Vietnam veteran, Mr. Brown had spent his entire professional career with the Disabled American Veterans, serving as its executive director since 1989. In that position he directed the DAV's Washington office, supervising its national service, legislative, employment and volunteer programs, which included leading the organization's advocacy efforts with Congress and the Executive Branch on behalf of disabled veterans and their families.

Mr. Brown joined the DAV's professional staff in 1967 as a national service officer trainee in Chicago and moved to Washington, D.C. in 1973 to supervise the National Service Office. Subsequently, he was promoted to supervisor of the DAV National Appeals Staff, to chief of claims at the National Service and Legislative Headquarters, to deputy national service director, and to executive assistant to the national adjutant before becoming executive director, Washington Headquarters.

Mr. Brown was the principal author of the DAV's widely respected continuing training program for national service officers.

Enlisting in the Marine Corps in 1963, Mr. Brown was wounded during combat in 1965 while patrolling in the Danang area of Vietnam. The gunshot wounds left his right arm partially paralyzed.

Born on March 27, 1944, in Detroit, Mr. Brown spent his teen and early adult years in Chicago. An honors graduate of Chicago City College, he also attended Roosevelt University in Chicago and Catholic University in Washington, D.C. He is a member of the American Legion, AMVETS, DAV and Veterans of Foreign Wars and, while in Chicago, served as vice president of the Vietnam Civic Council and the Mayor's Committee on Employment of the Handicapped.

Mr. Brown and his wife Sylvia live in the Washington area.

January 1993

Secretary of Veterans Affairs

Department of Veterans Affairs
Washington, D.C.

The Honorable Hershel W. Gober

Sworn in as Deputy Secretary of Veterans Affairs by Secretary Brown on February 4, 1993

As the second-ranking executive in the Department of Veterans Affairs (VA), Mr. Gober helps direct the activities of the federal government's second largest department, responsible for a nationwide system of health-care services, benefits programs and national cemeteries for America's 27.2 million veterans.

A two-tour Vietnam veteran who retired from the military after a career with the Army, the Army Reserve and the Marine Corps, Mr. Gober served as the director of the Arkansas Department of Veterans Affairs since 1988. In 1992, he received the National Association of State Directors of Veterans Affairs annual Melvin T. Dixon Award in recognition as the nation's most effective state director.

In Arkansas, Mr. Gober worked to strengthen the county veteran service officer system by supporting an initiative to increase state matching funds to counties. He initiated a program to enable service officers to reach all potential veteran beneficiaries. Other areas of Mr. Gober's special interest were quality-of-life improvements for residents of the Arkansas Veterans Home and a flag education program in schools.

Mr. Gober's military career began with a three-year enlistment in the Marine Corps in 1956. In addition to service in the Army Reserve, he served 17 years in the Army, including two tours in Vietnam, and retired with the rank of major in 1978. He received many military decorations and awards.

After retirement from the Army, Mr. Gober spent five years in Alaska as a supervisor for the Northwest Alaska Pipeline Corporation. Following that, he was an instructor for the Junior Reserve Officers Training Corps at an Arkansas high school before becoming director of the Arkansas Veterans Child Welfare Service and adjutant for the American Legion in the state. He has remained an active member of numerous veterans organizations.

Mr. Gober was born in Monticello, Arkansas, on December 21, 1936. He and his wife Olivia have raised six children.

February 1993

Mr. STOKES. Thank you very much, Mr. Secretary.

LIST OF PROJECTS BY LOCATION

Mr. Secretary, your statement indicates that the requested funds will be distributed to approximately 1,200 projects at 168 hospitals and six cemeteries. We will place tables for the VA showing the amount by location in the record at this point.

[The information follows:]

ECONOMIC STIMULUS PROPOSAL - FACILITY TOTALS

STATION	STATE	COST
MEDICAL FACILITIES		
ALBANY	NY	$479,658
ALBUQUERQUE	NM	$1,736,000
ALEXANDRIA	LA	$2,313,000
ALLEN PARK	MI	$2,986,000
ALTOONA	PA	$2,384,440
AMARILLO	TX	$1,120,000
AMERICAN LAKE	WA	$1,946,000
ANN ARBOR	MI	$384,000
ASHEVILLE	NC	$655,000
ATLANTA	GA	$108,000
AUGUSTA	GA	$1,690,000
BATAVIA	NY	$789,000
BATH	NY	$2,520,000
BATTLE CREEK	MI	$4,507,000
BAY PINES	FL	$1,006,000
BECKLEY	WV	$210,000
BEDFORD	MA	$1,597,000
BIG SPRING	TX	$514,000
BILOXI	MS	$320,000
BIRMINGHAM	AL	$763,000
BOISE	ID	$387,000
BONHAM	TX	$253,000
BOSTON	MA	$759,000
BROCKTON	MA	$1,553,703
BRONX	NY	$1,225,400
BROOKLYN	NY	$4,187,000
BUFFALO	NY	$1,837,812
BUTLER	PA	$1,147,000
CANANDAIGUA	NY	$216,000
CASTLE POINT	NY	$3,519,800
CHARLESTON	SC	$2,106,000
CHEYENNE	WY	$17,000
CHICAGO(LS)	IL	$472,000
CHICAGO(WS)	IL	$5,594,000
CHILLICOTHE	OH	$3,190,000
CINCINNATI	OH	$1,723,200
CLARKSBURG	WV	$382,000
CLEVELAND	OH	$6,603,468
COATESVILLE	PA	$1,070,300
COLUMBIA	MO	$70,000
COLUMBIA, SC	SC	$275,000
COLUMBIA, MO	MO	$1,124,000
DALLAS	TX	$842,000
DANVILLE	IL	$2,062,000

ECONOMIC STIMULUS PROPOSAL - FACILITY TOTALS

DAYTON	OH	$1,992,000
DENVER	CO	$63,000
DES MOINES	IA	$555,000
DUBLIN	GA	$1,889,000
DURHAM	NC	$156,000
EAST ORANGE	NJ	$2,642,000
ERIE	PA	$1,375,135
FARGO	ND	$1,314,000
FAYETTEVILLE, AR	AR	$117,000
FAYETTEVILLE, NC	NC	$1,640,000
FORT HOWARD	MD	$2,047,500
FORT MEADE	SD	$2,935,000
FORT WAYNE	IN	$1,335,400
FRESNO	CA	$2,285,000
FT. HARRISON	MT	$1,236,000
FT. LYON	CO	$2,051,000
GAINESVILLE	FL	$508,000
GRAND ISLAND	NE	$595,000
HAMPTON	VA	$1,640,500
HINES	IL	$6,657,000
HOT SPRINGS	SD	$1,007,201
HOUSTON	TX	$1,403,000
HUNTINGTON	WV	$1,058,000
INDIANAPOLIS	IN	$8,447,000
IOWA CITY	IA	$1,210,000
IRON MOUNTAIN	MI	$497,000
JACKSON	MS	$1,428,000
KANSAS CITY	MO	$1,985,000
KERRVILLE	TX	$1,118,000
KNOXVILLE	IA	$1,420,000
LAKE CITY	FL	$238,000
LEAVENWORTH	KS	$1,940,000
LEBANON	PA	$1,223,000
LEXINGTON	KY	$1,085,000
LINCOLN	NE	$1,765,000
LITTLE ROCK	AR	$4,322,000
LIVERMORE	CA	$192,000
LOMA LINDA	CA	$350,000
LONG BEACH	CA	$452,000
LOUISVILLE	KY	$1,167,000
LYONS	NJ	$2,522,000
MADISON	WI	$3,270,000
MANCHESTER	NH	$105,000
MARION, IL	IL	$570,000
MARION, IN	IN	$213,000
MARLIN	TX	$255,000
MARTINSBURG	WV	$1,095,000
MEMPHIS	TN	$270,000
MIAMI	FL	$311,000

ECONOMIC STIMULUS PROPOSAL - FACILITY TOTALS

MILES CITY	MT	$1,201,000
MILWAUKEE	WI	$7,699,000
MINNEAPOLIS	MN	$284,000
MONTGOMERY	AL	$151,000
MONTROSE	NY	$1,680,313
MOUNTAIN HOME	TN	$77,800
MURFREESBORO	TN	$607,000
MUSKOGEE	OK	$640,000
NASHVILLE	TN	$1,153,000
NEW ORLEANS	LA	$100,000
NEW YORK	NY	$945,000
NEWINGTON	CT	$284,000
NO. CA. SYSTEM OF OPCS	CA	$150,000
NORTH CHICAGO	IL	$2,320,000
NORTHAMPTON	MA	$3,541,000
NORTHPORT	NY	$2,241,000
OKLAHOMA CITY	OK	$3,358,000
OMAHA	NE	$1,888,000
PALO ALTO	CA	$583,000
PERRY POINT	MD	$499,000
PHILADELPHIA	PA	$459,000
PHOENIX	AZ	$135,000
PITTSBURGH (HIGHLAND DR)	PA	$168,000
PITTSBURGH (UNIV DR)	PA	$1,294,396
POPLAR BLUFF	MO	$650,000
PORTLAND	OR	$1,558,000
PRESCOTT	AZ	$262,000
PROVIDENCE	RI	$293,000
RENO	NV	$284,000
RICHMOND	VA	$1,611,000
ROSEBURG	OR	$960,500
SALEM	VA	$1,907,000
SALISBURY	NC	$954,000
SALT LAKE CITY	UT	$2,435,000
SAN ANTONIO	TX	$1,170,000
SAN DIEGO	CA	$417,000
SAN FRANCISCO	CA	$108,000
SAN JUAN	PR	$121,000
SEATTLE	WA	$940,000
SEPULVEDA	CA	$678,000
SHERIDAN	WY	$1,206,000
SHREVEPORT	LA	$876,000
SIOUX FALLS	SD	$1,440,000
SPOKANE	WA	$516,000
ST CLOUD	MN	$522,000
ST LOUIS	MO	$2,652,000
SYRACUSE	NY	$451,000
TAMPA	FL	$72,000
TEMPLE	TX	$205,000

ECONOMIC STIMULUS PROPOSAL - FACILITY TOTALS

TOGUS	ME	$584,000
TOMAH	WI	$2,736,000
TOPEKA	KS	$5,171,758
TUCSON	AZ	$2,242,000
TUSCALOOSA	AL	$524,000
TUSKEGEE	AL	$228,000
WACO	TX	$397,000
WALLA WALLA	WA	$638,000
WASHINGTON	DC	$3,347,000
WEST HAVEN	CT	$15,792,200
WEST LOS ANGELES	CA	$180,000
WHITE CITY	OR	$120,000
WHITE RIVER JUNCTION	VT	$932,600
WHITE RIVER JUNCTON	VT	$418,000
WICHITA	KS	$833,000
WILKES-BARRE	PA	$1,500,000
WILMINGTON	DE	$404,000
SUBTOTAL MEDICAL FACILITIES		$232,391,084
NATIONAL CEMETERIES		
FORT GIBSON	OK	$280,000
FORT MCPHERSON	NE	$250,000
FORT SMITH	AR	$30,000
LOS ANGELES	CA	$1,000,000
MASS NATL CEM	MA	$700,000
RIVERSIDE	CA	$740,000
SUBTOTAL CEMETERIES		$3,000,000
GRAND TOTAL		**$235,391,084**

PROJECT SELECTION PROCESS

Mr. STOKES. Tell us, Mr. Secretary, how were the list of projects by location developed?

Secretary BROWN. Projects were chosen based upon the criteria that will allow us to start the project within a 60-day period. It was time driven more than anything else.

JOB CREATION

Mr. STOKES. Let's talk a little bit about the jobs. You have mentioned 4,700 jobs to be created. That is 4,000 for medical care funds, 700 for minor construction funds.

Mr. Secretary, how long will those jobs last? Does that represent the equivalent of 4,700 six-month jobs or one-year jobs?

Secretary BROWN. They will range anywhere from approximately 60 days to approximately one year.

Mr. STOKES. Can you give us the average estimated cost of each job?

Mr. HAWKINS. We can furnish that to you. The amounts are from 30,000 up to several million, and we can give that to you for the record, in terms of the average, by project, if you would like.

Mr. CATLETT. Are you talking projects or jobs created?

Mr. STOKES. Individual job cost.

Mr. CATLETT. The estimates used on the number of jobs created were provided by OMB, with input from the Department of Labor, VA does not normally track the number of jobs created by construction activity. The estimate for each construction job is $50,000 which includes both the overhead and the profit for the contractor as well as the benefits to the employee.

Mr. STOKES. Do you anticipate the construction jobs will be done by contract or by hiring at the station level?

Mr. CATLETT. We anticipate it will be done primarily through a contract, but at the same time we recognize that we need to be very flexible here, and we are going to be issuing instructions to our hospitals directors that they should make the call on whether they want to act as general contractors or in effect contract the entire job out to the private sector.

Mr. STOKES. We pose the question for the reason that there is some possibility that more jobs could be created, I guess, by hospitals hiring individuals to do the work as opposed to contracting it out.

Secretary BROWN. That is true if the local facilities had the manpower to be able to provide the oversight that is necessary.

At this point in time, based upon what our records suggest, we simply do not have the time to act as general contractors on all of these jobs. So we are going to, as I mentioned to you, Mr. Chairman, try to be as flexible as we possibly can and leave the execution of the project in the hands of the local manager.

WOMEN AND MINORITIES PARTICIPATION

Mr. STOKES. Are you geared up at all in terms of this process to be assured that women and minorities get their proper share of these jobs and contracts?

Secretary BROWN. I think that is an excellent question. I have not related my general philosophy for this particular project, but based upon some information that I received from a Detroit project, I am very, very concerned about making sure that minorities and women get an equal share of the jobs and the contracts.

I have instructed my staff to take a very, very close look at not only the percentage that the Department has been reaching over the past years, but I want to increase that percentage. I think in some places it is less than 5 percent, and we are going to be much more ambitious and aggressive to make sure that minorities and women are full participants in this process.

Mr. STOKES. That is an area in which we have a special interest, and I appreciate you keeping us advised of how you are doing in that area.

Secretary BROWN. Yes, sir.

Mr. STOKES. How long will it take after we enact this legislation for you to start being able to hire?

Secretary BROWN. We can actually start hiring within 60 days. These are short-term projects. We have already identified the projects, and we think we are able to actually begin work within 60 days on a lot of them. Some of them will require more time, but I think the vast majority of them we can actually start within 60 days or so.

Mr. STOKES. Mr. Secretary, when do you anticipate that all or substantially all of the supplemental funds will be spent? Can you give us some date?

Mr. CATLETT. Mr. Chairman, with the awards being made predominantly in 60 days, we should have all the monies outlayed by the second quarter of 1994. So we will outlay all funds over the 12-month period, assuming enactment in the next month or two months.

ENERGY PROJECTS

Mr. STOKES. You are requesting $751,000 to fund projects that improve energy efficiency in VA hospital facilities. The language requests that the funds be available until expended. How quickly do you anticipate these funds will be obligated and expended?

Mr. CATLETT. On the same schedule, sir. There are six jobs in that list that we have identified.

Mr. STOKES. Tell us, how will the funds be distributed and to how many facilities?

Mr. CATLETT. On that, we will be glad to provide it for the record. Six projects have been identified for energy efficiency. Excuse me, I am sorry. It is five projects.

[The information follows:]

ENERGY.XLS

ENERGY PROJECTS						
REGION	**STATION**	**STATE**	**PROJECT TITLE**	**PROJECT NO.**	**COST**	**CATEGORY**
1	BROCKTON	MA	ENERGY REPL BOILER FEEDWATER	525-93-1190	$29,300	NRM
2	GRAND ISLAND	NE	INSTALL ELECTRONIC LIGHT BALLASTS	574-91-107	$250,000	NRM
2	HOT SPRINGS	SD	REPLACE HOT WATER TANKS	579-92-110	$180,000	NRM
2	IRON MOUNTAIN	MI	WARD ENERGY CONSERVATION	585-93-106	$96,000	NRM
2	KANSAS CITY	MO	EXPAND ENERGY MGMT SYSTEM PH2	589-93-123	$194,000	NRM
				TOTAL	***$749,300***	

Mr. Stokes. Mr. Lewis?

Mr. Lewis. Thank you, Mr. Chairman.

Welcome, Mr. Secretary. We look forward to working with you. To say the least, your agency is very important to all of our districts and we know the importance of your work in the country.

This is an emergency supplemental. However, the stimulus package is designed to spend money to create jobs. You have referred to the OMB guesstimate of $50,000 a job.

I mentioned that when EPA was here just before you, my colleague Mr. Thornton was quick to point out that there are a lot of remainder effects of that $50,000, including infrastructure. But nonetheless, there is a very real point. It is an emergency stimulus package, and the price per job that is the result of the stimulus is $50,000.

The question is whether we would or would not have put these priorities in this order if it hadn't been designed for so-called job creation. In that connection, I note that items like 580,000 for fire hydrants to the Liverpool Medical Facility, I would hope under the normal budgeting process we would have replaced fire hydrants if they were needed or they would have been somewhere ahead of us.

Based on information here, it indicates that $740,000 for road repair to the Riverside cemetery. The Riverside cemetery is almost brand new. I am scratching my head and saying, why did we do that road work so badly that, we are now repairing it a few years later?

That leads to a broader question. I would be interested in knowing if in this emergency spending package, you included any or all or some of these items in your fiscal year 1994 budget justification that went to OMB? Any or all or some? My question is actually——

Mr. Hawkins. First of all, we have $800 million in backlogs in non-recurring maintenance projects. A lot of our facilities are older facilities, and yes, we do plan, in our normal budget process, to do maintenance on a priority basis.

For example, in fiscal year 1993, we have an estimated $200 million for nonrecurring maintenance projects, which will fund higher priority projects in terms of patient care, ward renovations, medical equipment, etc. So a lot of times projects like roads, roofs, waterproofing buildings, are a lower priority. That is part of our backlog. So this gives us a chance to use this money to catch up on the backlog at the same time as creating new jobs.

Mr. Lewis. So you are suggesting this money is being used in no small part to handle those low-priority backlogs?

Mr. Hawkins. When it comes to patient care versus roads, health care always comes first.

Mr. Lewis. How many, some, any, or all of these items, will be part of your 1994 OMB budget request?

Mr. Hawkins. I can't give you a breakdown of exactly how many, but we do have $200 million in our nonrecurring maintenance budget to do those projects. We have those listed by facility.

Some of these projects that were in the pipeline certainly would have been done in terms of the normal budget process. But at the same time, what we will be able to do is move the backlog further forward and do some projects we would not otherwise have accomplished.

Mr. Lewis. I guess the two illustrations I used helped me kind of clear the question in my mind's eye: $58,000 for fire extinguishers, if those need repair, they should have been done last year. I am wondering why they are here.

Mr. Hawkins. I don't have the specifics on that, but I can get that for you if you would like. Normally this type of equipment is replaced based on maintenance requirements. We could do it this year or next year, but it is still——

Mr. Lewis. Using that illustration, if I were managing the hospital, would I keep those fire hydrants for five years if I wasn't getting a sudden input of funds, or would I get them replaced? The road to the veterans cemetery was built very recently.

RIVERSIDE CEMETERY

Secretary Brown. Your examples are well-taken but, it is probably much more simple, we had a tremendous rain problem at that cemetery, and as a result we had a lot of damage.

Mr. Lewis. I would be surprised if those roads in the cemetery were affected.

Secretary Brown. That is a problem, and I am sure you are aware that the VA received a black eye in the media because of some problems we had with the cemeteries out in California and the San Diego area. We are having the same kind of problem in the location you mentioned. We want to do what is right to manage it.

Mr. Lewis. I presume this doesn't limit your total backlog of nonrecurring maintenance and repairs?

Mr. Hawkins. No, sir. It impacts it but not by very much.

Mr. Lewis. You mentioned the $50,000 that OMB gave you per job that was created. What process or methodology did you use to identify the number of jobs created by the funding requested here?

Mr. Catlett. We do not normally track jobs created by project, so we looked for help there.

Mr. Lewis. You were asked to, I guess?

Mr. Catlett. We actually identified a higher number of jobs using another methodology. We don't normally track that, and we went for the more conservative estimate.

The Chairman asked a question about 4,700 jobs. We will probably hire more people than that, but for a shorter duration. You will get 4,700 for a full year. The equivalent of a work year is what we are looking at. So we will have many more people hired than the 4,700 number.

But we don't normally estimate it, specific to your question. We relied on the information from OMB and the Department of Labor to make a conservative estimate.

Mr. Lewis. Thank you, Mr. Chairman.

Mr. Stokes. Thank you.

Ms. Kaptur has a special problem. And the Chair recognizes you, Ms. Kaptur.

Ms. Kaptur. Thank you, Mr. Chairman. I apologize, Mr. Chairman. I have to be a judge in the Voice of Democracy contest for the VFW, so I know you wouldn't want me to miss that. I am already

15 minutes late. We also have Secretary Espy before the Agriculture Committee very shortly.

I welcome you. I have been on the Veterans Affairs Committee, and now on this subcommittee, during my entire 10-year career here in the Congress. We look forward to working with you.

The only particular request that I would make is that we will be contacting your office because for several years now we have tried to negotiate a joint sharing agreement between the VA and the Department of Defense to build a facility in our district which would house both our VA clinic, which is now in a rented facility, and a National Guard medical unit. And I will tell you, trying to work out that joint sharing agreement has been a real interesting process.

So I think that could, although it is not directly in the stimulus, it could be constructed immediately if we could merely get rid of the bureaucratic roadblocks of these two major Federal bureaucracies working together. So that would be the only request that I would make.

Mr. THORNTON. Would the gentlewoman yield?

I adopt as my own the excuses made by my distinguished colleague, Congresswoman Kaptur. I have the same conflicts.

I want to express my appreciation to you, Mr. Secretary, for bringing forward a program which I think sound and will accomplish its results. I express my willingness to work with you as you move on. Congratulations on your appointment. Glad to have you here before the committee.

Secretary BROWN. Thank you.

Mr. STOKES. Mr. Gallo?

Mr. GALLO. Thank you, Mr. Secretary.

Being from the district that has Lyon's hospital in it, I understand how important it is in that respect of taking care of the needs of all our veterans. I have been particularly impressed with Lyon's Hospital, and the new programs they have addressed dealing with the stress factor and other problems, particularly with the Vietnam veterans.

I believe it is one of the first VA hospitals to have a special unit which has developed a better understanding for those afflicted, with emotional scars. I am familiar with what transpires there and have visited the hospital on several occasions.

My question is, similar to that of Congressman Lewis, in regard to trying to justify this as an emergency, which is required under the Budget Enforcement Act. I took a close look at some of the projects that you are talking about and most of them seem to me to be in the general maintenance category. I have been in government a long time and I know that when you have other priorities, maintenance is the area that generally gets the least action. Continued lack of maintenance becomes then a major project. Not taking care of a roof over a period of years ends up being not the repair of a roof but the replacement of a roof, which can cost five times the cost of annual maintenance.

LENGTH OF JOBS

There are a lot of projects that I see from the list that directly affect both East Orange and also Lyon's. I am concerned when we look at the job picture which is 4,700 jobs, it reminds me a little bit of the CETA program. We will be creating jobs that are going to be here and gone, a job stimulus package with no real lasting affect. I would like to know whether or not, out of that 4,700 jobs, are there any permanent jobs created?

Secretary Brown. No, I don't anticipate that. I think as a general rule these jobs have to be considered temporary in nature.

At the same time it is important to point out these are by and large construction jobs, and people in the construction industry tend to move from job to job.

I would like to take the opportunity to address the emergency matter. Obviously the funds that we are requesting are much needed. We can do some of the things you are talking about, repair the roofs, particularly in older facilities. We need to do that, otherwise we are going to have some permanent structural damage.

But I think the emergency nature of this whole stimulus package has to be taken in context. The fact of the matter is that I think the President is trying to create an environment, in which we can manage the economy as opposed to allowing the economy to continue to manage us. He recognizes that we cannot continue to spend over $300 billion a year on our deficit. We need to do something about that.

He also recognizes that there are some other things we are going to have to do. We can't continue to spend $800 billion a year on health care, especially since we have nearly 40 million people under-insured or uninsured. We are going to have to do something about this.

So he has devised this plan—and I have never seen anything like that—a plan that says, I would like to jump-start the economy. There are those who would say to you that it doesn't need to be jump-started. But I disagree. I think the nine million people who are unemployed today and want to work would also disagree that the economy doesn't need jump-starting. But he wants to do that. And I think the economic stimulus program is a way of doing that.

And I think at the same time if we do that, based upon projections that we have, we can create approximately 500,000 jobs by 1994.

In addition, the proposal will provide approximately 600,000 jobs for our youths in the first year. And I think that is very, very noble.

But at the same time, I think only one part of the package is direct funding from appropriations through committees like this. The other part of the $30 billion proposal is investing in the private sector which will be able to expand. That is going to help us.

The second part of the plan that I think is also very important is an investment plan. Here, too, that is where we start talking about the issue you raise, long-term job creation. We plan to pump additional monies and investing in our people so we will be able to deal with the issues you raise.

Then, of course, the last element of it, I am sure that is in the back of everyone's mind, is deficit reduction. I think VA can play a role in all elements of the plan. We plan on doing our share. We are playing a role in the stimulus package by requesting $235 million. We are obviously going to play a role in the long-term investment strategy in terms of health care reform, eligibility reform, and of course we are going to do our share in deficit reduction.

So I think this is a very comprehensive plan, and it is designed to free up all of the monies that we are paying toward deficit reduction so that we can then use those funds to invest in Americans, to invest in things that we should be investing in, like education for our children, our infrastructure, new technologies and so forth.

So I think this is a sound plan, and I think he deserves to have a chance to have it looked at by the American people and through their Representatives.

Mr. GALLO. Thank you.

Mr. STOKES. Mr. Mollohan?

Mr. MOLLOHAN. Thank you, Mr. Chairman.

Secretary Brown, welcome to the committee. I appreciate your appearance here today. I certainly appreciate these proposals. As I look at them, certainly coming from an area that needs a bit of economic stimulus and jobs creation, there are probably others that are comparable, but I don't know any other programs I have seen that will result in more immediate, quicker folks being employed who are unemployed at this point.

I would also like to note that in addition to the short-term employment aspects of your proposal there is a capital investment aspect to your proposal. As I look at the hospitals in my district and my State, every one of them in your proposal, I believe, will result in significant capital investment in projects that I know are needed, certainly as it relates to the Clarksburg project. So I am appreciative of that.

Going through here, let me ask you, on what basis did you choose these projects? Is there a regional consideration?

Secretary BROWN. No, there was only one criteria, and it is very simple, Mr. Mollohan, and that is we chose the projects that we could actually bring to the table and actually start within a 60-day period. So all of these projects are basically time sensitive. That was the basic criteria we used in selecting them.

Mr. MOLLOHAN. Projects that had been on the wish list of these hospitals for some time, and in your judgment could be started fast?

Secretary BROWN. Yes, sir. They are all part of that $2 billion backlog that we had, and we looked at all of them and asked, How many of these could we actually start in a 60-day period, because it is very crucial to the President's economic plan that we be able to actually put them into the marketplace as fast as we possibly can. That was the basic criteria we used in selecting the 1,200 projects.

VAMC BECKLEY, WEST VIRGINIA

Mr. MOLLOHAN. No matter what the geography was.

On page 2 of your listing, whether it is the justification or whatever you call this, but it is the regional breakdown, on page 2 of region 1, Beckley is listed there. What Beckley is that?

Mr. CATLETT. That is Beckley in West Virginia.

Mr. MOLLOHAN. I am just confirming that. I note that out of all—and this is not my district, by the way, so this of course isn't parochial—out of all the hospitals it has one project. I don't see another hospital that has that.

Is that simply because Beckley only had one project waited in the pipeline to be funded?

Mr. HAWKINS. Basically that is true, but again, we looked at what we could do in 60 days. The facility came in with this project as being the only one that could actually be started in 60 days.

Mr. MOLLOHAN. So you went to the hospital, and Beckley came back with this one proposal?

Mr. HAWKINS. Yes. Again, keep in mind, as I mentioned earlier, we still have the regular budgetary nonrecurring maintenance dollars, which have not been actually obligated yet each facility will have additional projects that will be funded out of the $200 million that is in the normal budget.

Mr. MOLLOHAN. I just want to be sure I understand this. When I call them and say, Do you have only one project, they are going to say yes?

Secretary BROWN. That is yes within a 60-day period, because I think that is an important factor. I am sure if you can ask them, Do you have other projects, they can give you a list this long.

Mr. MOLLOHAN. I thought they probably would.

Secretary BROWN. We were only interested in projects they could actually identify that we——

Mr. MOLLOHAN. Get under contract in 60 days?

Secretary BROWN. Yes, sir.

Mr. HAWKINS. We identify and they came back and said if they had 90 days to 120 days, we could double the list. So the time factor was the issue.

Mr. MOLLOHAN. I would just point out, and I know this is probably sensitizing you, Mr. Secretary, to an area you may or may not be familiar with, but southern West Virginia—but I am repeating is not my district, I am from northern West Virginia—we have our own problems, but southern West Virginia probably has one of the very highest unemployment rates in the nation, particularly talking about rural unemployment, and Beckley is right in the center of that.

I am disappointed that the hospital could not administratively move more quickly to get more projects than the fencing project. But you are stating the criteria and inviting to submit it, and they certainly did that.

I look forward to working with you. Will you please excuse me? I have a photo opportunity that I am 20 minutes late for with the American Legion.

We look forward to visiting with the DAV.

Secretary BROWN. Thank you, sir.

Mr. STOKES. Mr. Chapman will be right back as soon as he votes, Mr. Secretary. We will just suspend for a moment. He should be right back.

Mr. Chapman, I recognize you.

Mr. CHAPMAN. Mr. Chairman, thank you very much.

I don't have so much, Mr. Secretary, a question as I do a comment I would like to make to you. As I view what I understood the theory of an economic stimulus package to be, I have yet to review an agency who has better tailored their allocation to what the goals should be than has the VA. I want to congratulate you, sir.

Secretary BROWN. Thank you, sir.

Mr. CHAPMAN. And my friend Mr. Gober from the great State of Arkansas.

We ought to put money in the pipeline that creates jobs instantly. This is as close to instant as I have seen.

The projects you have identified here, while not creating permanent, lasting jobs, will create permanent, lasting facilities that will take care of America's veteran population. I think this is exactly what we ought to be doing with an economic stimulus package.

I have to run upstairs to vote. But I say that with all due respect, that we have heard of other spend-out rates that may be 10 percent in fiscal year 1993, and going out to 1996 and 1997, and I guess those are good projects and will create facilities and infrastructure and so on, but I think you are doing exactly what ought to be done here, the way it ought to be done. I think this is exactly what jump-starting the economy is all about. I agree with everything you said about it. What makes us feel good about it is the effort is going for a cause that I think we all overwhelmingly support.

I just want to say congratulations. You will receive my wholehearted support for this effort. I want to welcome all of you here, and I look forward to working with you.

Secretary BROWN. Thank you, sir.

Mr. STOKES. All right. It has been a good hearing, Mr. Secretary. We are pleased to have you with us. We look forward to you coming back again when we commence our 1994 hearings. And as I said earlier, we look forward to working closely with you.

Thank you. We are now recessed until 1:00.

Office of Public Affairs
News Service

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(202) 535-8300

Department of Veterans Affairs

News Release

EMBARGOED UNTIL 9PM, FEB. 17

VA PROGRAMS TO BENEFIT FROM PRESIDENT'S ECONOMIC STIMULUS PACKAGE

The Department of Veterans Affairs (VA) is announcing that the Administration's economic stimulus package includes a $235 million supplemental appropriation request that will result in an infusion of funds for maintenance and construction projects for VA's medical and cemetery systems.

VA Secretary Jesse Brown said, "These funds will not only benefit the nation's veterans by improving patient care facilities and making improvements to our cemeteries, but also will help boost the economy."

At present, VA has identified approximately 1,300 projects at 156 hospitals and 6 cemeteries across the country for potential funding through the President's initiative. This list will be prioritized, and funds will be provided for the most immediate construction priorities. These projects will be scattered throughout the country and would generate an estimated 4,700 jobs.

For the medical system, projects would include repairs to interior finishes, roofs, roads, parking lots, utility systems, high-tech equipment installations and other exterior repairs. These funds also would provide for hospital bed conversions and modernizing patient treatment areas, wards and other patient support facilities. Projects for incinerator pollution control, hazardous waste, energy conservation and asbestos removal could be expedited.

For the National Cemetery System, the supplemental would fund projects to repair and improve roads, buildings, water supply systems and perimeter walls, as well as projects to prepare future burial acreage.

VA operates a network of medical centers and outpatient clinics throughout the nation, providing treatment to some 2.6 million individual veterans annually. VA's National Cemetery System is composed of 114 cemeteries in 38 states and Puerto Rico.

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DEPARTMENT OF VETERANS AFFAIRS

VETERANS HEALTH ADMINISTRATION

Medical Care

For an additional amount for "Medical care," $201,933,000 for non-recurring maintenance projects in Department of Veterans Affairs' health care facilities, to remain available through September 30, 1993.

This supplemental request would fund needed improvements in Department of Veterans Affairs (VA) medical facilities such as major repairs to roofs, interior finishes, and utility systems. VA would also bring facilities up to current safety and fire codes.

This proposal would result in increased obligations of $202 million in FY 1993 and would increase FY 1993 outlays by $132 million. An estimated 4,000 jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF VETERANS AFFAIRS

CONSTRUCTION

Construction, Minor Projects

For an additional amount for "Construction, minor projects," $32,873,000 for miscellaneous projects and the National Cemetery Program, to remain available through September 30, 1993.

This supplemental request would fund necessary additions or modifications to existing medical and national cemetery facilities to improve operations and reduce deficiencies. This includes renovation of patient wards and repair of cemeteries.

This proposal would result in increased obligations of $33 million in FY 1993 and would increase FY 1993 outlays by $21 million. An estimated 700 jobs would be generated by this proposal in FY 1993 and FY 1994.

FEDERAL ENERGY MANAGEMENT PROGRAM

DEPARTMENT OF VETERANS AFFAIRS

Medical Care

For an additional amount for "Medical care," $751,000 to remain available until expended for additional projects to improve energy efficiency at Department of Veterans Affairs facilities.

TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

WITNESSES

HON. HENRY G. CISNEROS, SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HERB PERSIL, DIRECTOR OF BUDGET

DON I. PATCH, ACTING DEPUTY ASSISTANT SECRETARY

JAMES N. FORSBERG, DIRECTOR, OFFICE OF SPECIAL NEEDS ASSISTANCE PROGRAMS, COMMUNITY PLANNING AND DEVELOPMENT

OPENING REMARKS

Mr. STOKES. The committee will come to order.

At this time it is a pleasure to welcome before our subcommittee Secretary Cisneros.

I want you to know that it is for me a very personal honor to welcome you before this committee. You are one of this Nation's most distinguished public officials and persons in government. As the one who now chairs this subcommittee, it is a real honor to welcome you on behalf of this entire subcommittee.

I, in a moment, will ask you to introduce your associates and make a brief statement.

The Department is requesting 1993 supplemental appropriations totaling nearly $3 billion as part of the President's economic stimulus package. Of that amount, $2.5 billion is for CDBG and $423 million is for the supportive housing homeless program. It is anticipated that 70,800 jobs will be created by these activities.

At this time, Mr. Secretary, we will be pleased to have you introduce any of your associates you would like to introduce, and then you may proceed with your statement any way you would like.

Secretary CISNEROS. Thank you very much, Mr. Chairman, Congressman. This is a pleasure to introduce these gentlemen who are career civil service at the Department of Housing and Urban Development. At my left sits Jim Forsberg, Director, Office of Special Needs. He has helped us get a handle on an approach to the homeless initiatives. Mr. Herb Persil, Director of Budget, and Don Patch, Acting Assistant Secretary for Community Planning and Development, where we have the CDBG program, the HOME program, and all the homeless programs. So he has a lot of what we are going to be talking about here today.

I would like to move through this statement, if I could, because it explains in a structured way what we want to talk about with respect to the stimulus.

SECRETARY'S OPENING COMMENTS

I am pleased to appear before you to discuss the economic stimulus proposals of the Department of Housing and Urban Development. This is my first appearance before your committee and I look forward to returning in April to discuss the President's 1994 budget proposals and the new directions the Administration intends to take to meet the housing needs of the American people.

It is my hope and expectation that with the cooperation of the Congress and particularly this important committee, the Department of Housing and Urban Development will forge a new working partnership with State and local governments, nonprofit organizations, the private sector and others who are essential to meeting the Nation's housing needs.

The time has come to move forward together with sound programs and policy initiatives to ensure an expanding supply of affordable housing, to stimulate growth, and to invest in the rebuilding of the too long neglected infrastructure of our large cities and small communities.

The President's economic plan contains three components: first, economic stimulus; second, investment; and a deficit-reduction component.

I am here today to discuss the economic stimulus and to request supplemental funding for two of HUD's key programs, the Community Development Block Grant program and the Supportive Housing program.

These programs are being pushed for two vitally important and critical reasons. First, to create new jobs quickly. And second, to provide immediate assistance for sorely needed public facilities and services.

As the President so forcefully stated in last week's State of the Union Address, this Administration's immediate economic priority is to create 500,000 new jobs now. Of that total, the HUD proposals represent about 71,000 total jobs, beginning in the current year and continuing through calendar year 1994.

SUPPLEMENTAL REQUESTS

Mr. Chairman, Congressmen, let me take a few moments to briefly outline the specifics of our supplemental request. First, we are proposing $2.5 billion in additional CDBG funding which will be made available by formula to cities, counties and States for distribution to small communities.

You will remember that CDBG is funded 70 percent directly to communities by a formula, 30 percent goes to the governors for a competition, if you will, or application process for smaller communities.

SPENDING DEADLINE

Assistance will also be made to Indian tribes and insular areas. These funds will be based on local priorities for a wide range of housing activities, public facilities, and public services, but with the condition that the projects undertaken be carried out within a relatively short period of time; specifically, this means that the grantees must complete all spending by December 31st, 1994.

That is a fairly strict criterion, one which will cause many communities to act more quickly than they have in the past. We believe it is in keeping with the compelling reason for seeking the additional appropriation to create jobs.

NEED FOR ADDITIONAL CDBG FUNDS

I have in front of me a listing from the United States Conference of Mayors of projects ready to go under the Community Development Block Grant program. Normally communities have five or six times as many documented needs for CDBG as they can fund with the annual appropriation. The annual appropriation has been about $4 billion the last few years. So $2.5 billion in additional funding obligated at one lump sum, is a very significant amount. It comes to about 60 percent of what any community would receive, they will get in a lump sum obligation.

As you will be able to see by perusing this information city by city, State by State, these are projects that can go forward immediately: streets, drainage, sidewalks, school improvements, municipal facilities, recreational facilities, things that are needed, things that will create jobs.

The distributional channels are well set. The communities know how to use this money. These projects, the mayors tell me—and I have had them come in now repeatedly, including 30 mayors of the largest cities of America, to visit with the President—and they tell me these projects are zoned, engineered, environmentally cleared, permitted, and ready to go.

So from the perspective of a stimulus purpose, there isn't a better program than the CDBG program.

SUPPORTIVE HOUSING PROGRAM

The second program we are requesting is $423 million for the Supportive Housing program to provide much-needed additional housing services for the Nation's homeless families and individuals. Because of the strict conditions we have proposed placing on the award of these funds, including a December 31st, 1994 deadline, the $423 million will also include an increased economic stimulus.

This supplemental request is justified, then, on two counts: job creation and providing absolutely essential help to the most needy of our fellow citizens.

Let me say "for me personally" there is no greater responsibility as Secretary of HUD than addressing the persistent problems of homelessness in America. We have seen the most defenseless of our people sleeping on grates, huddled in doorways at the end of the workday. This is not our vision of America, and we must work together to restore care and dignity to those bereft of hope.

SOLUTIONS TO THE HOMELESS PROBLEM

We need long-term solutions, comprehensive, innovative approaches to reducing homelessness. At the same time we must meet immediate needs. And we are advocating, in addition to enactment of a supplemental appropriation, more effective use of surplus properties which allows the use of excess Federal properties such as buildings on closed military bases. One could imagine using old hospitals or NCO quarters or bachelor officers' quarters on military bases for the homeless.

I believe there are solutions to every problem that confronts our country, and we want to find those solutions and make them work. When I come back to appear before you in April, we will detail our specific proposals for improved and increased assistance to the homeless.

"ACCELERATION" PROPOSALS

In addition to these two supplemental appropriations, there are two more economic stimulus initiatives which the President has put into the stimulus package for HUD which we are planning to implement and which I want to share with the committee. These initiatives do not involve any new appropriations in 1993, but they are nonetheless extremely important.

HOME PROGRAM

The first involves our efforts to improve the administration of the HOME program so that it more closely conforms with congressional intent to increase the supply of housing for low-income persons.

Since issuance of regulations in 1991, and obligation of fiscal year 1992 funds, only 4 percent of HOME funds have been committed by participating jurisdictions, and only 2 percent have been expended. Two-thirds of the 435 jurisdictions participating in the program have not yet set up their first project. And, local officials and housing providers have expressed growing frustration with the program's complexity.

To remedy this problem we are taking several steps to reduce confusion, simplify program requirements, expedite expenditure of the $1.5 billion in 1992 funds already obligated by HUD, and the $1 billion in 1993 funds for which a Notice of Funding Availability already has been published.

By April of this year, we will publish regulatory changes which increase flexibility in HOME program implementation. Housing constituency groups have found the current regulations too restrictive and we are accelerating the issuance of additional regulations necessitated by the Housing and Community Development Act of 1992.

So the HOME program, essentially, Mr. Chairman, will be redesigned. It hasn't worked in its present form, and as a result, $2.5 billion which should have been building homes, which was intended to make the building of housing easier but has actually been very complex, is being looked at from scratch, redesigned, and marketed anew to communities. It can, therefore—if we move those funds—be a part of this stimulus without requiring additional appropriations because the funds have already been appropriated, but only 2 percent have been spent.

MODERNIZATION PROGRAM

The second initiative of a similar nature involves accelerating obligations and expenditures of two pools of appropriated funds for a program called Public Housing Modernization. There are $3.1 billion appropriated in 1993 in the HUD pipeline and $6 billion of unspent appropriations between HUD and the Public Housing Authorities. Obviously, $9 billion unexpended that could be accelerated and moved to take the boards off of housing units, fix plumbing, fix electricity, modernize units, would be an important part of this stimulus.

These actions will expedite necessary physical improvement to public housing, improve the quality of life of residents of public and Indian housing, and increase the supply of housing for low-income people. Accelerating expenditure of funds will also provide considerable stimulus to the construction industry.

Both HUD and Public Housing Authorities must work with urgency to put the modernization funds to work. Too many Americans live in public housing units badly in need of repair. We at HUD want to be part of the solution and put the funds to work as they were intended.

SECRETARY'S NEWSLETTER

Mr. Chairman, let me distribute, if I may, to you and Members of the committee a new device that we have created to replace some of the existing communications from HUD to communities. We are mailing this to mayors, community development directors, Public Housing Authorities. It is a special letter from the Secretary, which will be sent periodically—as we have critical messages to convey.

As you can see, this first issue deals with the HOME program on the right-hand side, and the regulatory changes we are making to let them know that we want to change this program. And then on the backside, the Public Housing Modernization expediting I have just referred to, also describing in detail the steps we are taking so that both of those key programs can be moved through and become part of the stimulus environment.

SUPPLEMENTAL APPROPRIATION REQUESTS

But as I said before, the central purpose of my appearance today is to answer your questions concerning the two items that do require supplemental appropriations: the $2.5 billion of CDBG funds and the $423 million of homeless funds.

I would close simply by saying, we are confident that we can move the CDBG program and the necessary funds through the projects that will create jobs, and support the President's initiative. And secondly, with respect to the homeless funds, this is a major victory for homeless organizations and activists in that the allocations of recent years for homeless programs under this initiative, supportive housing, has been $150 million. For the President to allow $423 million in one lump sum is immensely important—about three times, almost, the annual amount which would be appropriated.

We believe that we have chosen the homeless program that is the most flexible. It allows not only roofs over people's heads but also supportive services, such as services to the mentally ill, to the substance abusers, employment counseling and outreach for persons who need a job in order to function, and housing. We have chosen the program that allows us to do the most, and we believe the nonprofit community is in place to make these supplemental funds, not only touch the economy in a meaningful way, but to help people who need the help the most.

That concludes my statement and I will be happy to answer questions.

Of the 500,000 jobs the President targets, 71,000 would be from this package, better than a tenth of the total job impact of the stimulus program comes from these two initiatives.

[Biographical sketch of Secretary follows:]

Secretary of Housing and Urban Development Henry G. Cisneros

Henry G. Cisneros was nominated by President Clinton to serve as Secretary of Housing and Urban Development on December 17, 1992. He was confirmed unanimously by the United States Senate on January 21, 1993, and sworn into office by Chief Justice William H. Rehnquist on January 22, 1993.

As a member of the President's Cabinet, Secretary Cisneros is America's foremost federal housing and economic development official. He is responsible for administering fair housing activities as well as federally assisted housing and economic development programs throughout the nation.

Mr. Cisneros began his career in public service working as an administrative assistant in the San Antonio City Manager's office. In 1971, he was selected as a White House Fellow and worked as an assistant to the Secretary of Health, Education and Welfare Elliot Richardson. In 1975, he was elected to the San Antonio City Council, serving until 1981.

In 1981, Cisneros became the first Hispanic mayor of a major U.S. city when he was elected Mayor of San Antonio, the nation's 10th largest city. As a four-term mayor of San Antonio from 1981 to 1989, Cisneros rebuilt the city's economic base, recruiting convention business, attracting high tech industries, expanding housing opportunities, increasing tourism and creating jobs in downtown San Antonio. In 1985, he was elected president of the National League of Cities.

Mr. Cisneros left public service in 1989, and became chairman of his newly organized Cisneros Asset Management Company, a national fixed-income asset management firm for tax-exempt institutions. For a three-year period following his departure from the mayor's office, he also hosted *Texans*, a one-hour television show produced quarterly in Texas, and *Adelante*, a national daily Spanish-language radio commentary.

Henry Cisneros recently served as deputy chairman of the Federal Reserve Bank of Dallas. Until he was named Secretary of HUD, he served as a board member of the Rockefeller Foundation, chairman of the National Civic League and chairman of the Advisory Committee on the Construction of San Antonio's Alamodome.

Cisneros graduated from Texas A&M with a B.A. and M.A. in urban and regional planning. He earned an M.A. in Public Administration from the John F. Kennedy School of Government at Harvard and a Ph.D. in Public Administration from George Washington University.

Henry Cisneros has received numerous awards and honors. In 1982, he was selected as one of the "Ten Outstanding Young Men of America" by the U.S. Jaycees. Four years later, *City and State Magazine* named him Outstanding Mayor, and in 1991, *VISTA Magazine* awarded him with its Hispanic Man of the Year honor.

Born on June 11, 1947 in San Antonio, Cisneros married Mary Alice Perez in 1969. They have two daughters, Teresa and Mercedes, and a son, John Paul.

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DURATION OF JOBS

Mr. **Stokes**. Well, thank you very much, Mr. Secretary, for that statement.

Let me begin the questions by talking a little bit about the justifications sent over by your department, which indicate that the supplemental appropriation would create 70,800 new jobs, 59,600 in CDBG and 11,200 in supportive housing. Can you tell us, what will be the average length of each of the 70,800 jobs? Are we talking about six months, a year, three months?

Secretary **Cisneros**. I think we are talking about work that continues certainly over the course of a year, and probably in most cases longer. But the hope is, just as the theory of the President's entire program is, that the stimulus program will tie into the longer investment program.

Our hope is that these jobs are then converted into permanent jobs, that there is training associated with the conversion to the investment economy. I have every reason to believe that, while these jobs on these projects might be of a year or so in duration, that they tie into the increased employment that is the whole point of the longer-term investment package.

JOB CREATION

Mr. **Stokes**. Do you anticipate that any of the funds will be used to maintain existing jobs instead of creating new jobs?

Secretary **Cisneros**. We are going to work very hard to make sure that no local government uses the CDBG funds for any purpose other than to put in place new jobs. We will be looking at the regulations of the program very carefully, working within them to make sure this is not going to be used for local deficit reduction or to avoid a tax increase or something like that, but that the whole point is to put in place projects that create jobs.

CDBG WAIVERS

Mr. **Stokes**. Again, your justifications mention waiving the existing 15 percent cap on the use of funds for public services. Can you tell us what other CDBG requirements that you might anticipate waiving?

Secretary **Cisneros**. Let me say that I know the waivers we will not seek under any circumstances. We will not seek waivers for environmental regulations or for labor-related regulations or for fair housing and quality opportunity kind of regulations.

Frankly, Mr. Chairman, it is my hope that we will not have to waive any regulations at all. I know that some of the mayors feel they want waivers on the low and moderate targeting, and others would seek waivers on issues such as the one that you raise on public service jobs. But I would like to make as few modifications to the existing CDBG program as possible, or I think we open up questions about its long-term functioning.

It is a well-drafted program. It works well. I frankly hope, although I reserve the right to come back to you and talk to you about it, I hope we don't have to provide waivers, and that the communities can within the guidelines of the existing program spend the money on projects in the time frames involved. I think that is possible.

TIME LIMIT ON EXPENDITURES

Mr. STOKES. Mr. Secretary, the proposed language stipulates that all funds will be obligated and disbursed by December 31, 1994, or they will revert to the Treasury.

Secretary CISNEROS. Correct.

Mr. STOKES. Given the fact that the CDBG program normally outlays 4 percent in the first year, 41 percent in the second year, obviously we are talking about a very ambitious plan here.

Secretary CISNEROS. Yes.

Mr. STOKES. Do you think we can expend all these funds in approximately a year and a half?

Secretary CISNEROS. Yes, sir.

Mr. STOKES. You do?

Secretary CISNEROS. I do, and the reason I feel so confident about that is because I have met with the mayors, I have met with the county officials, I have met with the governors, and told them just how critical it is that they pick projects that are not going to be waiting a long time for engineering or design or permits.

They have provided here examples of projects that they claim are now ready to go. They have five times as many needs documented almost in every community as the funds that they would get. They ought to be able to pick projects that can go to work immediately.

I would predict that the vast majority of these funds, and indeed I have made this commitment to the President, would result in dirt flying and people at work by this summer. So I fully expect it to be done in the time frames involved.

SUPPORTIVE HOUSING REQUEST

Mr. STOKES. Mr. Secretary, let's switch to your supportive housing request. You are proposing language to limit the total amount approved for any one applicant to $10 million. Tell us what you expect the average size of an average grant to be.

Secretary CISNEROS. The staff tells me—and Mr. Forsberg is here—that the average size of grant we have been making under this program is about $1 million dollars. He expects that because those who will be ready to go are staffed up and are the larger housing homeless activists and organizations, that it would be a little bit larger than a million. So one would imagine $1.1 million or $1.2 million, something like that, per grant, which if you divide it into 423, suggests we ought to be able to make over 300 grants across the country, and fast. They will be on a first-come/first-served basis, but we will be very attentive to making sure that all of the criteria associated with this program are met.

As I said earlier, the beauty of this particular program, the reason we selected this one as against any other homeless initiative—and let me just say I am personally grateful to the President for having selected a homeless program in an economic stimulus package. I think it says volumes about his concern about the homeless. But the beauty of this is that it allows you to fashion programs that respond to the real reality of homeless people.

Homeless people are on the street because they have got many other problems. No one would sleep on a cold sidewalk, except they have other problems—drug abuse, substance abuse, mental illness, family difficulties, personality disorders of one kind or another. They need help.

And what we can do with this program is fashion relationships with providers that are not just about putting up a shelter and putting up beds and expect people to come, but counseling and outreach and all of those things that I have personally seen in the best homeless programs that work.

SUPPORTIVE FUNDING INCREASE

Mr. Stokes. Now, the supplemental request for the Supportive Housing program represents a pretty big increase in funding.

Secretary Cisneros. Correct.

Mr. Stokes. It is nearly triple the $150 million levels provided in 1991, 1992 and 1993. Will this amount of funding create demand from providers for higher levels of funding in future years?

Secretary Cisneros. We, I believe, in the budget that I have seen for the out years, do not expect it to run at this level, but to work off of the base from the annual level.

Let me just say that while it looks large to increase, in a stimulus by nearly three times the amount for this program, the way I think one has to think about it is that this is, in effect, funding for the whole range of homeless programs, because we can do most of what the other homeless programs can do with this one program.

So it really is almost an amalgam of all, but it looks like a tripling of this one. It is just that is so flexible, you can do a whole lot of things with it.

Mr. Forsberg. We have demand for the programs typically run five or six dollars for every dollar available. So we have no doubt there are programs out there ready to go.

FUTURE HOMELESS FUNDING PRIORITIES

Mr. Stokes. Is it your intent that the Supportive Housing program will have a higher priority than the Shelter Plus Care program in the future?

Secretary Cisneros. I can't recall speaking to what the future priorities will be. I can only say that my staff tells me that the best program for getting something done in the short run and the most flexible one that gives us the widest range of treatment approaches to bring to bear, is this one.

I don't want to make judgments or commit myself to the long haul as to one program being more important than the other. And we are not, at this point at least, starting out on "blocking up" the homeless programs. We are not making that judgment at this time. This is an economic stimulus initiative and it stands on its own merit.

EXPENDITURE DEADLINE

Mr. STOKES. The proposed language requires that all of the supplemental supportive housing funds be disbursed by September 1, 1994, the same as for the CDBG program. However, information from the Department indicates that these funds have been disbursed very slowly.

For instance, of the $150 million appropriated in 1991, only $24 million has been disbursed. In fact, only $20.5 million of the $80 million appropriated in 1988 has been disbursed.

Short of simply allowing the grantees to draw down all the balances on their letters of credit, it would appear very ambitious to expect all the funds to be disbursed by December 31, 1994.

Secretary CISNEROS. Let me give you my answer, and I would ask Mr. Forsberg, who has a greater history on this, to speak to it.

First of all, never has such a priority been placed at HUD by HUD and the Secretary's office on homeless initiatives.

Secondly, we intend to use the realities of the stimulus to allow programs to go forward in imaginative and innovative and creative ways. I want to move this Department, and I guess this statement goes beyond this one program, but I want to move this program beyond the "gotcha" mentality, where it viewed itself as a regulator somehow whose purpose was to tell people why they couldn't, hadn't complied with guidelines, instead of to help them fix what they need to fix in their applications and their proposals so that we can do what the Congress intended and have the money work as appropriate.

I think this difference in approach will make all the difference in terms of whether we can move the funds in the proper time frame.

Jim, do you want to speak to that?

Mr. FORSBERG. I think the Secretary's statements to the philosophy of the department are certainly as critical, but also the change in the nature of the program. Under the existing program, for example, after people are selected, they have up to one year to come in with a site. We are going to make sure they have their site when they apply.

In our existing program, the funds are spent out over a five-year period. We are going to say, You have one year, essentially, to expend out the dollars.

With the changes that were made in the program, the Supportive Housing program last year, we have never had a chance to implement those, but it provides a whole new array of flexible approaches that have never been available to our nonprofits before.

So I agree with the Secretary 100 percent, that we feel very strongly we can get this money out and get it spent within the time period that we have available because of the emphasis on doing it, the fact that they will come in ready to go and the fact they understand they essentially have one year in which to spend the money or they are going to lose it, and the need is so great, the money will be spent and used for worthwhile purposes.

Mr. STOKES. Let us ask you this, then. Given the criteria for applicants that they must have site control, appropriate zoning, and financial commitments for the non-Federal share of the costs, are we likely to experience the substitution phenomenon for this program?

Secretary CISNEROS. Some of those criteria obviously must be adhered to. Site control, for example: If a group doesn't have site control it is not likely they are going to be able to exercise this in due course.

But again, the beauty of this program is that it is so less rigid than others, that a range of treatment methods are possible and can be done under this initiative.

USE OF MILITARY INSTALLATIONS

Mr. STOKES. Mr. Secretary, you have mentioned the possibility of utilization of military installations and military locations for the placement of some of the homeless. Have you thought it out to the degree of knowing exactly how many we are talking about, how many locations, things of that sort?

Secretary CISNEROS. Let me share with you where we are on that. I have gotten some criticism for having opened my mouth on this subject at all. But I think what we are talking about is eminently fair and right.

The McKinney Act gives general direction to use converted military facilities. And the Defense Conversion Act through the Defense Department speaks to that directly. We are not talking about taking over whole military facilities. We are talking about using a building on a base that is being transformed.

First of all, not every military base that is being decommissioned makes sense. Many of them are out in the country. Air Force bases, for example, are out in rural areas. That doesn't make sense. What makes sense is to identify those facilities that are near metropolitan areas.

I have mentioned Carswell Air Force Base, or the Long Beach Naval Station and others of that type. Again, we are not talking about a whole base, but a hospital that may be free of asbestos problems, or a barracks or an NCO quarters of a bachelors officers quarters which are suitable as residential.

I think it is eminently reasonable that we can work with the Defense Department and find ways to make these useful, which is so essential to the larger society, compatible with whatever communities want to do with these bases. They want to do industrial parks, industrially oriented airports, so forth, use those runways. It is not incompatible to have one facility on a base where homeless people receive special attention. I believe it can be done, and we are continuing to look at it, work on it.

I am sensitive to it because the newspapers in the Dallas/Fort Worth area, after I made these exact points, editorialized as if I was taking away this tremendous asset that they see for an industrial area in the heart of the community, and we are really talking about individual buildings, and I want to make that point just as strongly as I can.

Mr. STOKES. Mr. Lewis, I yield to you.

Mr. LEWIS. Mr. Chairman, I am hesitant because I came in here late.

Mr. DELAY. You are ranking.

CALIFORNIA AIR FORCE BASES

Mr. Lewis. If you will, I would like to follow up on that point, Mr. Secretary.

First, I apologize for not being here when you were formally introduced. It is a pleasure to have the opportunity to work with you.

You were making a point regarding homeless facilities on closed bases, and that is a sensitive and yet an important point. It is one that is particularly sensitive to a member who has two of the Air Force bases in the country that were on the closure list.

One of those, by the way, Norton Air Force Base, has a program called Bethlehem House—which is a supportive facility, a fabulous program. They are seeking space at Norton. It is the other one I have some question about.

Secretary Cisneros. Norton is exactly where?

Mr. Lewis. San Bernardino. George Air Force Base is not, however. It is kind of out in the high desert. You wouldn't really think of homeless facilities there. And yet the Federal Register of February 5th contained this notice identifying under-utilized Federal property suitable for the assistance of homeless. George was included in that.

Were the agency personnel, aware that the base closed? What I want to know is, were the agency personnel aware the base was closed on 12/15/92, that the contact number in the agency's notice of 2/5/93—I know you couldn't be on top of all this, so please don't take this personally—was disconnected in December and that an Air Force ROD was issued on 1/14/93 that in fact awarded two HHS certified homeless providers at George Air Force Base.

Here is a case, in view of your testimony, where the Air Force was moving in one direction, HUD was moving in another direction. The need to review some of those kinds of difficulties is very real and important.

Secretary Cisneros. We have, at HUD, only begun to work on this issue. It sounds from what you have read that the Defense Department has been working for a longer period of time.

Mr. Lewis. This is one of the first in the country to close.

Secretary Cisneros. We are going to collaborate with the Defense Department and set up some meetings for that purpose. But you are right, I can't speak to the specifics of what may have transpired in that case.

Mr. Lewis. It is apparent that we are looking to homeless facilities being identified on the basis that they are near urban centers. The high desert is not such an area.

Secretary Cisneros. I certainly think we will put the priority on those that are adjacent to metropolitan areas.

Mr. Lewis. Perhaps some of your staff and mine can talk specifically about that.

CDBG FUNDING LEVEL

Secretary Cisneros. Certainly.

Mr. Lewis. I am interested to know how it has occurred that in a period of 11 months the amount needed for CDBGs in an economic stimulus package has grown by nearly 43 percent over the $1.75 billion that Chairman Whitten suggested last March. It now has grown to $2.5 billion in your package. And some regions of the country are clearly recovering.

Secretary CISNEROS. I can't speak to whatever the Chairman may have in a previous discussion ventured. All I can say is that as the President was organizing the economic stimulus package, and a package that he knew he wanted to be in the roughly $30 billion range, and that about half of that would be investment tax credit, that with the $15 or so billion that would be left, it was his conclusion that the way you could get the money to create jobs in the fastest period of time was CDBG, and it ended up being about $2.5 billion.

I don't know that there is any connection at all between what the White House was thinking in writing in $2.5 billion and what the Chairman may have said in a previous period, except to the degree that they agree that CDBG is the right way to do a stimulus. It is the classic stimulus program in that the channels of distribution are well established, we know how it works, communities have backlogs of needs, and you can do jobs quickly.

USE OF 1992-1993 CDBG APPROPRIATIONS

Mr. LEWIS. Can you tell us whether you have allocated any of the 1993 money for CDBG to local communities?

Secretary CISNEROS. Yes, sir, we have, and Mr. Patch can give you some feel for that.

Mr. PATCH. Ten to 15 percent of the grantees are funded in January, a lot of the big ones.

Mr. LEWIS. Have you obligated all of the 1992 funds?

Mr. PATCH. Yes. I think there was one entitlement carry-over in New York State. So all but maybe $2.5 to $3 million.

CDBG STAFFING

Mr. LEWIS. Mr. Secretary, one of the problems with programs like CDBG is the pipeline. It seems to continually be clogged. We understand that there are not adequate personnel to address dealing with those applications in that pipeline.

Does any of your funding apply to increasing numbers of personnel?

Secretary CISNEROS. Not in the stimulus. We do ask for additional personnel for computer systems and so forth in the investment package. But let me just say, the beauty of a program like CDBG as against other categorical type programs is that it is much less characterized by the clogged pipeline. It is not a program that requires applications in the traditional sense. It is a block grant program. The funds would go to an entitlement community by formula allocation.

May I ask you, what is the largest community in your district?

Mr. LEWIS. Redlands.

FUNDING FOR LOS ANGELES COUNTY

Secretary CISNEROS. I don't know what the formula might say that Redlands would receive, but it would receive a sum of money. That sum would come to the city government of Redlands. They would send a list to the regional office of the total projects they want to do, and generally speaking there is a quick "blessing".

This is not an application where you have to go in and review every project. It is a block grant program. So it moves fast as compared to most Federal programs.

Los Angeles County, for example, is getting—I believe the figure is $36 million for Los Angeles County under the 1993 appropriation for CDBG, and they show in here projects ready to go immediately and would get an additional $23 million under the proposed supplemental.

Mr. LEWIS. One of the difficulties that will be alluded to constantly through the process like the CDBG is the program spends out slowly, especially in the initial stages. This is an emergency stimulus package designed to stimulate the economy, create jobs, et cetera, hopefully very quickly.

The economy turns very quickly, and if we want to take credit for the economy turning last year we better get to work now. The programs that can be funded on an ongoing basis, that suddenly relieves it of the budget caps we normally have to deal with here.

Ms. Kondratas, who was the Assistant Secretary in the last administration, testified that only 1 percent of the CDBG grant is disbursed in the first year. It is pretty hard to create short-term stimulus under those kinds of formulae.

Do you have a different estimate?

Secretary CISNEROS. Absolutely.

Mr. LEWIS [continuing]. Increase the rapidity of those grants?

Secretary CISNEROS. Absolutely. I mentioned the mayors of the 30 largest cities I have been in. I am meeting with the National League of Cities on a regular basis, with the governors, who control 30 percent of the CDBG allocation every year, and making clear to them the absolute importance of moving these funds rapidly.

I believe it can be done.

Mr. LEWIS. I really would be interested if you have an estimate of how much greater a share you presume might be distributed in the first year versus the 1 percent that was estimated last year.

Mr. CISNEROS. Let me ask Mr. Patch to see if he has any estimate from his experience that makes sense.

Mr. LEWIS. Ms. Kondratas testified that 1 percent of the average CBDG grant is disbursed in the first year.

Mr. PATCH. It might be a little more than that. But I think the circumstances are different given the assumptions we are working on for this supplemental request.

In the Community Development Block Grant program, we allow cities and States to apply for the funds or submit their statements telling us what they are going to do with the funds over the course of a year to—with about half of our communities not applying until the third quarter of any fiscal year. That obligation schedule accounts, in large part, for these delays in outlays during the initial year.

We will place deadlines for submissions of the request for funds under this supplemental program in April, as we did in 1983. This will make possible the chances of early expenditures, given the circumstances the Secretary has described previously of having environmental clearances and projects ready to go. I have reason to believe that, within the first fiscal year, the first six months, they could probably spend 20 percent of the money and close to 60 percent of the balance in fiscal year 1994. And, the balance would go over into the first quarter of 1995. We estimate about a $600 million dollar carry over into the first quarter of fiscal year 1995 which would be the last quarter of the seven quarters that this stimulus program will have been in effect.

That would be a rough estimate.

Mr. LEWIS. I guess that is a response. But the problem is obvious to all of us.

Mr. CISNEROS. Let me simply say that my own experience with CBDG as a mayor tells me that most communities, with the backlogs that they will have, will have projects at work by mid-summer, early months of the summer. Depending on how fast this moves from the Congress and depending on how fast we can move the administration of it—and we intend to move it very fast—I would be very surprised if we couldn't take you to projects in your district, as well as across the country, for people who are working by the early months of this summer.

That doesn't mean all of the funds would be expended. That is a different issue. But with people working, dirt flying, the projects doing what they are supposed to do, and people actually out at work, I think we are going to see an awful lot of that in every community we find this summer. That is the intent.

Let me, if I may, share with you the suggestions of California communities. You may find some from your district there. There is another book here as well that includes California.

Mr. LEWIS. This isn't the California book, is it?

Mr. CISNEROS. No. We don't have massive design and long delays in architecture. We are talking sidewalks and parking, paving, and residential street surfacing and storm drain lining.

Mr. STOKES. Mr. Mollohan?

LETTER OF CREDIT CONCERNS

Mr. MOLLOHAN. Thank you, Mr. Chairman.

Mr. Secretary, welcome. We look forward to working with you. Thank you for your fine presentation of the stimulus package. The stimulus package is—I think many of us look forward to it. And I know that the cities in my district certainly do.

They do have one concern. And that is the fact that there is some concern that infusion of this amount of money might affect the factor that they are not allowed to have over—in their letter of credit, they are not allowed to have over 1.5 times their annual allotment in their letter of credit; is that correct?

Mr. CISNEROS. I think that is correct.

Mr. MOLLOHAN. They are concerned this influx of funds might adversely impact that and create ineligibilities for funding in the regular program.

Are you waiving that under this program?

Mr. PATCH. I think the game plan here is not only to spend the $2.5 billion as quickly as possible but also to spend down so that the next time they apply for funds, they do not have a balance that exceeds one and a half times their existing entitlement grant.

I think that is consistent with the whole philosophy of the stimulus package. We are not going to let them "slop over" projects that they were going to do with a $4 billion appropriation they got this year into this $2.5 million package. The pressure will be on them to produce under the current schedule for funding projects in the 1993 appropriation in addition to the accelerated projects under the supplemental.

Mr. MOLLOHAN. I think you answered my question. I want to go at it again because I am not sure I—I am not sure it is helpful. I am not sure it speaks to the concern.

What we are concerned with is that this money, in and of itself, will create that ineligibility for the next round, assuming perhaps that it can't be spent out quickly enough. Maybe it is a month; maybe it is two months. And they would not want this to be applied.

So number one is, my communities—and I am speaking for myself—would not want this to be credited in such a way as to adversely impact that 1.5 percent letter of credit.

Mr. CISNEROS. That is a good point.

Mr. MOLLOHAN. So will this program be on a parallel track but not impact that, is my first question.

I hear you saying that we don't want them to use this and then not to aggressively move on the other side. I understand that is a separate problem, and it is subject to subjective evaluation, I guess.

But this is my first question: Will this impact that formulation, yes or no?

Mr. CISNEROS. I want Don to answer it. But I have my own——

Mr. PATCH. I would say it should not affect it.

Mr. CISNEROS. I say we will work to make sure it does not. And I think we can take care of that. We will draft this in such a way—one of the dismaying things about work in a large bureaucracy is that, in the attempt to do good things, sometimes these "Catch 22" things are set up. We will just make sure a community is not penalized in the normal CBDG program because we have chosen to put forward a stimulus initiative and just characterize it in a different way.

Mr. PATCH. And it will be tracked separately, a separate letter of credit in a separate reporting system.

Mr. MOLLOHAN. That would be terrific.

I want to say I really like everything you have said today, the approach by HUD to get away from the, "I gotcha," in the application process. I don't know exactly why there is a letter of credit problem or this would create a letter of credit problem, because they are close to the line. But at least, in part, I suspect that—and I am not indicting anybody, I am not speaking specifically—but at least, in part, a lack of forthcomingness on the part of HUD, because there is an expertise on HUD's side and perhaps expertise on the other side; and they could certainly use help in processing these things.

Mr. CISNEROS. You have heard my commitment today, and Don, you make the appropriate notes, we will make sure, as we write the regulations for this, we will make clear it is tracked in the separate way and no one gets penalized, because they do have until

September 31st, 1994. We don't want that in any way to make the regular CBDG program more difficult for them.

Mr. MOLLOHAN. The other matter is that it should be more aggressive on both counts. And I look forward to working with you to effect that.

Mr. PATCH. We usually have work-out plans and work-out schedules.

Mr. CISNEROS. As you can see from this newsletter, we are trying to find unique ways to communicate with communities in a spirit of helpfulness. I have had a conference call with the 10 regional administrators. I hope to be calling them in soon.

And I have asked them in each of the 10 regions to call the 71 HUD field offices across the country on this program. So we are working hard to get the word out and to communicate with people and to—the day after the President's speech, we called the largest cities in the 20 or so largest counties in the country to talk about the importance of moving the CBDG program.

So there's going to be a lot of technical assistance and a lot of support that isn't normally associated with the program.

Mr. MOLLOHAN. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. STOKES. Mr. DeLay?

JOB ESTIMATES AND DEFICIT REDUCTION

Mr. DELAY. I am glad to see a Texan as the head of this agency, Mr. Secretary. But I have got a few questions.

I want to ask a question that may be a little bit more difficult than those that have been asked.

First off, there is an article in the Wall Street Journal today that quotes a study that if President Clinton's plan was implemented, there would be a net loss of 200,000 jobs.

Have you—or can you speak for the administration—has the administration studied, for instance, how many jobs would be lost by implementing an emergency measure?

And the Congress calls it "emergency." But what we are really talking about is increasing the deficit. When something is called "emergency," we are really talking about raising the deficit by this amount of money.

How many net jobs will be created? You said 71,000 will be created by HUD alone. Is that a net increase in jobs? Or how many jobs are going to be lost by increasing the deficit and increasing spending by this amount of money?

Mr. CISNEROS. First of all, the Chairman of the Federal Reserve Bank, Mr. Greenspan, said last week that the $30 billion increase in spending, the stimulus, is, in and of itself, not enough to severely impact the deficit when you are embarked on a deficit reduction plan that will have the effect that the President's plan will have.

If the President is successful in passing the spending cuts as well as the tax increases that are part of the plan, the deficit will have one-half the impact on the economy in 1997 than it is today. The President will reduce the deficit to 2.7 percent of gross domestic product whereby it is 5.4 percent of domestic product.

He starts with a big deficit in terms of the drag on economy, the drag on gross domestic product; and his plan is to cut it in half.

The Chairman of the Federal Reserve says, when you are going in that direction, a stimulus at the front-end is not going to take the economy off course.

Why does the President feel that a stimulus is necessary? First, this is a strange recovery. This recovery, although the economic indicators are beginning to show some movement toward recovery, is also a jobless recovery. The unemployment today is about—actually is larger in absolute numbers of people than it was in the depth of the recent statistically measurable recession. So this is a recession in which—a recovery in which jobs are not being created.

Secondly, the President feels that as the long-term investment package gears up and the deficit reduction package goes into place, there may be some contraction in the economy. He wants to offset the contractive effects of the deficit reduction by having some job stimulation in the short run.

The President's intent is 500,000 jobs out of the stimulus package. I have seen no evidence that there would be job losses as a result of the stimulus package. None whatsoever.

DEFICIT SPENDING

Mr. DELAY. I will be glad to send you some, Mr. Secretary, because maybe you are not reading all the things being written. And as we get more into the details of the plan, many people are going to find out its problems. And you said a big "if." We have a big "if" here.

The first thing out of the chute of this plan, the very first thing, is deficit spending. And if we get the rest of it, everything is going to be fine. But when you start looking at the details—in fact Budget Director Panetta admitted in a Senate hearing that in the first year, there is going to be $36 billion in taxes and only $2 billion in spending cuts.

And so you are asking a big leap of faith here right off the bat. And I want to ask—and I think that was sort of the tone that even the Chairman's question was about, can you spend this by December 31st, 1994? We are going to increase the deficit for something that some of us don't think you can spend it by then. But let me ask the question a little differently.

How much of this $2.5 billion of deficit spending will be drawn down by December 31st, 1994?

Mr. CISNEROS. We hope all of it.

Mr. DELAY. Drawn down?

Do you agree with that?

Mr. PATCH. Yes, sir. We will write contracts where the last payment must occur prior to January 1st of 1995, because you will not have the funds from this appropriation to draw from because your letter of credit will be frozen December 31, 1994.

DAVIS-BACON

Mr. DELAY. That is the whole point I am trying to make. Mr. Secretary, when you were the mayor of San Antonio, they called you the miracle maker. And if you can pull this off, you will be The miracle maker.

We seem to be piling money on top of money without looking at how we use money for the purposes that we would all like it to be used. You made very clear—and you were very emphatic—that you were not going to waive the fair housing and nondiscrimination requirements, the environmental requirements, or the labor requirements.

Now, Davis-Bacon applies to all of us. It has been estimated—and I don't know of anybody that disagrees that Davis-Bacon increases the cost of these projects by at least 15 percent. I argue by almost 25 percent. Not only does it increase the cost of these projects, but it also has enormous paperwork burdens associated with it that are imposed on localities to document, on a monthly basis, the wages that are paid to each and every worker on a given job.

If you took the difference between what I say it is and 15 percent, it is 20 percent. And right now we have what? $6 billion that had not been drawn down?

Mr. PATCH. About that, as I recall.

Mr. DELAY. $6 billion that hasn't been drawn down. We add $2.5 billion on top of that—well, let's just take the six. At 20 percent it is half of your $2.5 billion, if you waive Davis-Bacon on the CBDGs. You have increased deficit spending—you have almost $1.5 billion that you can spend and create the jobs that you claim you are creating in this program.

Why aren't you waiving the Davis-Bacon requirement?

Mr. CISNEROS. Let me say, we may have a philosophical disagreement here as to the role of Davis-Bacon and the role it plays in our society.

As mayor of San Antonio and councilman previous to that, I had led in applying the prevailing wage rate to city jobs that were applicable to Federal work.

Previous to that, we were getting a lot of work done, but the benefits to workers were not what they could have been. When you are doing something like this, you are always walking a balance. You are trying to get some projects done, but you are attempting to have a full economic stimulus by paying a decent wage to workers. And the best protection is a prevailing wage rate.

Mr. DELAY. But, Mr. Secretary, if you pay inflated wages to the people you really want to put to work, those are the very people who can't get the job. The lowest income, minorities, women, they can't get these jobs because you are paying too much.

Mr. CISNEROS. Our experience in San Antonio was when we paid the prevailing wage rate, it was not terribly inflated wages because there was a Department of Labor survey of the local area; and the prevailing wage rate was set on the established local rate. We weren't paying New York wages or Philadelphia wages. We were paying south Texas wages because that is the basis on which the Department of Labor calculated the prevailing wage rate.

So there was no greatly inflated wage rate there. But it was a fair wage, we felt. And I don't think it penalized us in terms of doing projects.

Mr. DeLay. I have been dealing with Davis-Bacon and prevailing wage rates for a long time. And I am here to tell you—not to be argumentative—most of those rates are union rates, which are inflated compared to open shop rates. But even in the other package, supportive housing, Davis-Bacon is being waived.

Why not in HUD?

Mr. Cisneros. I understand the supportive housing does not have Davis-Bacon. I am certainly not in a position or desiring to waive Davis-Bacon requirements on the most extensive construction program that we will have, which is the Community Development Block Grant program.

HOMELESS FUNDING

Mr. DeLay. Let me just ask another question, Mr. Chairman.

How are you going to ensure the homeless part of this program will get to the homeless?

Let me give you an example. I don't know—I shouldn't be asking this question without knowing the answer. But for years, since I first got here, there has been a group that services the homeless here in Washington, D.C. And in checking with this group, I found out that they had never been audited, that they had a system set up where monies for homeless went to an office in the D.C. Government and then from that office went to this group without any audits.

And in trying to press for an audit, I never received one. It may have been done since. I have stopped pressing. I just gave up after three years of searching where this money was being spent; how is it being spent? No one would do an audit.

Do you have facilities and programs to follow this money to find out how it is being spent, particularly here in D.C.?

Mr. Cisneros. Obviously, we want to be attentive to responsible use of Federal resources, make sure they are spent for the purpose intended and that the administrative responsibility and accountability and the strictest financial performance is there.

Mr. Forsberg. I think I know the group you refer to in D.C. I think the only HUD money is the emergency shelter grant money which goes on a formula basis from the District of Columbia. And I wouldn't swear they get that money, but it is possible.

They don't apply to us directly, probably for the reasons you point out. If they do, we are going to be looking over their books and see how they are spending our money.

Mr. Cisneros. You speak to the specifics of the auditing requirement?

Mr. Forsberg. First of all, there is an auditing requirement that has to be met. We have reporting requirements that have them account for the dollars, how they spend our dollars. We have an oversight function that our field staff performs to make sure that the population that is intended to be served is, in fact, served with our dollars.

So we are very sensitive to that issue, that our homeless dollars, in fact, help homeless people. As I say, for that reason, an organization such as the one you are referring to knows better, I think, than to come in and apply for those dollars.

Mr. DeLay. The homeless dollars actually help homeless people. For the McKinney Act, I believe there was a GAO audit that found that there were $17 in administration costs for every dollar that reached the homeless.

Are you aware of that audit?

Mr. Forsberg. Not that particular audit, no. I don't know how they ever arrived at that number. That is probably one of the smallest staffed programs in HUD. But we can certainly follow up for you. I would love to see what you are referring to.

Mr. DeLay. Mr. Chairman, I have taken more time. You have been very gracious, and I appreciate it.

Mr. Stokes. Mr. Torres?

Mr. Torres. Thank you, Mr. Chairman.

Mr. Secretary, we have met in many strange and different places over the past decade.

Mr. Chapman. Where?

Mr. Torres. Every time we have met on those occasions, you have made terrific presentations. Today I missed it; but I gather, from notes that I have seen, that your comments were well taken and welcomed by the committee.

I understand there is a rule today that because we are dealing with this in an expeditious manner, we won't be able to ask you to provide written answers for the record to some of the questions we may ask.

Although you do agree, do you not, Mr. Chairman, that we can submit questions not to be included in the record?

Mr. Stokes. You can submit questions to them. It is just that you won't be able to get it printed in the record.

Mr. Torres. I will send a letter, Mr. Secretary, and hope your staff can respond to us.

Mr. Cisneros. We will.

WAIVER OF FUNDING CAPS

Mr. Torres. My questions are numerous. I took note here of your statement. In the position paper that you sent to our office prior to this hearing, in your proposed supplemental appropriation for community development grants and summary of budget requests, you indicated that the Department anticipates waiving the existing 15 percent cap on the use of funds by a grantee for public services.

I gather one of the purposes of the Economic Stimulus package is to stimulate the economy and to create jobs. I would like to know what the purpose is of waiving the cap. I would be inclined to support the waiver if it were under certain limited cricumstances.

Mr. Cisneros. No decision has been made on that. And the word the Department anticipates is that it is probably not correct. I don't think it is fair to say the "Department anticipates," because we have only now looked at—or are only looking at what the waiver issues might be. We are not inclined at all, I can say categorically, to waive anything related to fair housing or equal opportunity or environmental or Davis-Bacon or other issues like that.

LIMITED USE OF WAIVERS

The only rationale to be waiving anything at all would be to expedite, in other words, to move to the creation of jobs as quickly as possible. The mayors have said that there are two issues that concern them.

One is the public service cap, because they would like to have funds to be used for other than construction purposes.

And the other is the low- and moderate-income targeting, because when you remove that, then you can spend the money on almost anywhere in their jurisdiction, instead of in low- and moderate-income areas.

In my view, both of those do damage to the concept of CBDG as it was originally envisioned, to the way you have written the law in the Congress, except with abundant evidence that we won't move the money except with a waiver. My inclination is to say we ought not waive, and we ought to encourage the communities to move the money within the guidelines as they have been set out within the CBDG program as it exists. That is my preference.

I reserve the right to come back to you and explain why we had to do otherwise. But I start from the premise that we make the CBDG promise work as Congress intended.

Mr. TORRES. I see. Very good.

In order to guarantee that all sectors of society are served, would you consider establishing a policy which assures that any waiver request which would have a disparate impact on certain groups—like very low-income persons or specific ethnic minorities—would not be approved?

Mr. CISNEROS. As I said, I start from the premise that we are not going to engage in waivers.

If there are going to be waivers, to answer your question, it would only be after consultation with the appropriate authorizing committees and consultation with the committees such as yours.

I understand the importance with which those regulations were written. And I want to observe the spirit of that.

In my own city, we have used CBDG very well over the years within the context of the guidelines as written, including low and moderate income. And there is a transformation of the community that has occurred. I know we can make this work.

CONFERENCE OF MAYORS SURVEY

Mr. TORRES. I also took note earlier of your comment regarding the ready-to-go programs, particularly those of the cities in my district. I see that most of them made good and positive requests.

Is that list completed now, or are there——

Mr. CISNEROS. This is just an informal survey done by the conference of mayors. It is not an official document. But it is an informal survey of communities across the country that was intended to show a demonstrative example of the kinds of projects they would apply for. They have not officially sent forward their list to us yet because the program has not been appropriated, nor has it been voted by the Congress as a whole. But as soon as it is, we expect to see the same kinds of projects coming forward.

Mr. TORRES. I see. Very good.

Mr. Chairman, I have no further questions. I yield back my time.

Mr. STOKES. Thank you.

Mr. Gallo?

Mr. GALLO. Thank you.

Mr. Secretary, back in, I guess it was, the early 1980s, I had the opportunity to go to San Antonio with the League of Legislators. I met you there.

Mr. CISNEROS. I remember that.

Mr. GALLO. I had a chance to meet with you.

Mr. CISNEROS. Sure did.

DEFINITION OF "EMERGENCY"

Mr. GALLO. The one question that seems to continue to come up, is in regard to defining an emergency. When we went through the budget process in 1990, certain rules and regulations were set down. There was a definition of "emergency" to some degree. And it included earthquakes, hurricanes, floods, things of that nature.

I am trying, in my own mind, to figure out how this proposal meets that definition. Maybe you can help me understand your definition of an emergency?

Mr. CISNEROS. The definition of "emergency," as I understand it—to which you refer—was created in order to allow some variation of the budget agreement. And while you are correct, it has traditionally referred to events such as those in Los Angeles last year or those in Florida last year, the President is asking the Congress for a supplemental appropriation, and because of the budget agreement, is required to use the concept of "emergency."

In this case, the emergency is that the economy is in danger of slipping back into the recessionary environment that we lived in in the last several years; that the recovery is a jobless recovery, there just isn't enough increase in jobs; the jobs that are normally attendant to an economic recovery are not occurring in this economy. Something like 65 percent of the American people believe the recession is not over—that no matter what the numbers may say, aggregate numbers in the economy, it is not touching their lives in the way a recovery should.

All of these constitute the President's belief a stimulus is required before starting the investment and deficit reduction efforts.

I think you can also say the President believes that without a stimulus and jobs program, the contractive effect of what he believes he has to do on the deficit could be sufficiently tight that it would push the economy back into a recession. That is where the emergency language applies.

ABILITY TO EXPEND FUNDING

Mr. GALLO. Moving now to the Community Development Block Grant Program which, I am very familiar with having served in local government. One of the things that is of concern to me, especially in the northeast and the Midwest, is that you have climactic changes that make it difficult to complete building projects on a timely basis, and you have a very short time for construction.

I know for a fact that Community Block Grants take a lot longer in our area than it would take in a southern state or an area that doesn't have a fluctuation in weather like we do.

I have heard that September 1994 is when all monies will be expended. I am just wondering, have you taken the climatic changes into consideration?

Mr. CISNEROS. Yes, sir. First of all, let me say, December 1994 is a long time from now, if we move quickly at the front end. It is almost a full two years to move the money.

Secondly, communities, in order to meet the time deadlines, will pick, with this program, smaller scale projects not things that are going to drag on 18 months in construction or two years in construction. But if one looks at that list, for example, what you see there is renovation of street projects, sidewalk projects, school remodeling projects.

The mayor of Baltimore tells me he has buildings where the asbestos is already removed and they literally can move in as soon as they know they have the funds and start the renovation of older buildings. These are the kinds of things that can occur over the course of summer, into the fall. There may be some delays in the winter months but certainly can be completed in 1994.

And I expect that this particular stimulus source, this $2.5 billion, will result in these kinds of smaller scale, manageable time frames of projects. We would encourage communities to pick them that way.

And I might say, I would also encourage you as Members of the committee, as you talk to your communities—and we want to be helpful to you, regardless of party or part of the country or size of communities big cities or smaller communities, which also will benefit from this. And we would encourage you to notify your communities that they are going to participate in this. The formula will result in them being assisted and that they ought to get ready now so that, as soon as the money comes forward, they are ready to go with projects.

That is the message we are trying to get out across the country.

CURRENT RATE OF EXPENDITURE

Mr. GALLO. One of the problems and the reason I raised my question, is that when you have such significant amounts of money already in the pipeline that has not been expended I get concerned that by adding more money to the program is not the right answer. It is still a problem.

I know even with expedited procedures in the State of New Jersey—and meeting all of the criteria that you are talking about—by the time this became law, would you really make the impact that you are looking for with this package?

Mr. CISNEROS. It is not that hard, Congressman. I am telling you from the perspective of a person that has worked—I venture to say, when you go back to your district and you consult with the mayors, they are going to tell you they have projects ready to go, zoned, approved. They may ask for a waiver on something, but the majority of them are going to say they have got projects ready to go.

Mr. GALLO. Mr. Secretary, I have some other questions that really don't relate to this; and I won't take the time of the committee to talk about that. But maybe I will send you a letter, to get some additional answers.

I wish you well and look forward to working with you.

Mr. CISNEROS. Thank you.

Mr. STOKES. Mr. Thornton?

UNEXPENDED MODERNIZATION FUNDS

Mr. THORNTON. Thank you, Mr. Chairman.

I will not ask questions because I have not heard the questions asked to this point, and I don't want to be redundant.

I have read your testimony. I think it is very persuasive. I congratulate you on your presentation, and I appreciate the opportunity of working with you, Mr. Secretary.

Mr. CISNEROS. Thank you, Mr. Thornton.

Mr. STOKES. Mr. Secretary, another part of the Economic Stimulus proposal—although no funds are being requested—is to accelerate the obligation and expenditure of public housing modernization funds.

Mr. CISNEROS. Correct.

Mr. STOKES. You indicate in addition to $3.1 billion being appropriated in 1993, there are $6 billion of unspent appropriations from previous years. What has been the problem in getting the modernization funds expended?

Mr. CISNEROS. I think it has been a variety of things. It has, in part, been difficulties within HUD in moving the money. Some of it has been at the housing authorities. Some of this lag has been understandable.

It has been things like the phasing in of projects over a long period of time. A housing authority might have a project that has got Phase I, Phase II, Phase III and the Phase III monies aren't spent for a long time.

But I think, frankly, the Department has been insufficient in applying pressure to move the funds. And the management at some of the housing authorities has not been all that it should have been. We are attempting to fix that. To shorten the review procedure, the application time, so that we don't have these six-, nine-month gaps in approval time alone that have been part of this program.

Mr. STOKES. What is a reasonable amount of time in which to obligate and expend modernization funds?

Mr. CISNEROS. I would say the bulk of the funds can be expended in the first year or couple of years after they are approved.

Now, as I said, it is understandable that when you have a huge development and it involves demolishing a unit and replacing it, or lowering the density, that it will go in phases and the last phase might be three years out. But I would say, certainly, that with in that time frame, most of the funds ought to be expended in housing modernization.

Mr. STOKES. Thank you.

Mr. Chapman, I yield to you.

FORMULA ALLOCATION FOR NONENTITLEMENT PROGRAM

Mr. Chapman. Mr. Chairman, thank you very much.

Mr. Secretary, welcome. We look forward to working with you. We welcome you here and look forward to supporting your initiative.

I have just a few quick questions I want to ask. Are the amounts of money allocated to the states for nonentitlement cities also done by formula?

Mr. Cisneros. Correct. The way it works is 70 percent goes to formula cities and 30 percent goes to the State Government. And then they, by application at that level, get the funds to local communities.

USE OF PIPELINE PROJECTS AS STIMULUS

Mr. Chapman. Do you know if there will be any requirement to require new applications? Assuming that a city or smaller community may have an application that, for lack of funds, perhaps, in a previous time period, was either considered, or rejected, will you accept applications that are currently pending?

Mr. Cisneros. Good question. We have had some discussion about using the pipeline of applications of previous programs. The quickest way to move the funds is just to move those projects in the pipeline already. We have to look at whether or not that is a fair way to proceed.

But, Don, you might have a word or two about that.

Mr. Patch. They are going to have a great deal of discretion. Some, because they have recently advertised, may add a separate category for this. Some may use this to fund the lower ranking ones.

All of them are going to be instructed not to accept applications from communities that can't spend the money by December 31, 1994.

Mr. Lewis. You will have to excuse me, Mr. Secretary. This is a very important vote.

EMPHASIS ON SPEED

Mr. Chapman. What kinds of things can be done to accelerate those projects or proposals that are projects in the pipeline?

Mr. Cisneros. We will get out notice to the communities that the emphasis is upon getting in projects that can create jobs, and that can move quickly.

I think that is going to be the primary criteria, more than whether they are in the pipeline or not.

What we really want to do is see whether or not the merits indicate that they can move quickly, that they are ready to go. They are permitted and engineered and designed, and it is just a matter of letting out bids and going to work.

I would like to see projects in smaller communities at work by mid-summer.

Mr. Chapman. I hope that is correct.

Mr. Cisneros. Do you think you can do that, Don?

Mr. Patch. The States that say the projects are ready to go within 90 or 120 days, I have every confidence they are going to do it.

We have just met with 50 State people this morning on the subject, as a matter of fact.

Mr. CISNEROS. The governors were here a couple of weeks ago. They had a meeting at the White House. And the President asked some of the cabinet to come over.

During that period, I made the point to the governors that this program was coming. Thirty percent of it was theirs; they needed to be ready. And Governor Richards, for one, had told me she had taken that to heart and was going to push, within Texas, to make sure the smaller communities knew these funds were coming as soon as they are approved.

IMPACT ON CURRENT PROGRAMS

Mr. CHAPMAN. There are some projects out there that funds have been obligated but not yet drawn down, in fact some in my area.

Is there anything about this proposal that will effect projects that are out there that are going on? For example, any kind of "use it or lose it" Catch 22 on already obligated and approved projects?

Mr. PATCH. Not that I know of.

Mr. CISNEROS. The time table for existing projects is not affected by this. And we have gone further today in making the commitment, to Congressman Mollohan earlier, of making sure that the formulas never get crosswise.

We will run this on a separate track. That is an important contribution from today's discussion.

CONCLUDING REMARKS

Mr. CHAPMAN. I don't think there are any other questions I have.

Mr. CISNEROS. I think I better wait, because if the Chairman comes back and the room is empty——

Mr. CHAPMAN. I would suggest you do that.

Let me say, though, that it is a real pleasure to have you here. Welcome and congratulations. We look forward to working with you.

Mr. CISNEROS. What is the largest community in your——

Mr. CHAPMAN. Texarkana.

Mr. CISNEROS. That is a substantial size community. Do we know what the allocation for Texarkana is? Have you seen that number?

Mr. CHAPMAN. I have seen that number, yes, for the entitlement cities.

Mr. THORNTON. Is that both Texarkana, Arkansas, and Texarkana, Texas?

Mr. CISNEROS. He doesn't get Texas.

What part of Arkansas do you represent?

Mr. THORNTON. I represent Little Rock.

Mr. CISNEROS. Congratulations.

Mr. THORNTON. I have a very good constituent from Little Rock.

Mr. CISNEROS. We are trying to work a formula where Little Rock gets a five-time bump in their program.

Mr. CHAPMAN. I think your program has its vote without having to do that.

Mr. CISNEROS. I think so.

Mr. CHAPMAN. Mr. Chairman, I have concluded the questions that I have. I thank the Secretary.

Mr. STOKES. Thank you very much.

Anything further, gentlemen?

Mr. TORRES. No, sir.

Mr. THORNTON. Thank you, Mr. Chairman.

Mr. STOKES. If there is nothing further, then this will conclude our hearing, Mr. Secretary. You have done an excellent job. It has been a pleasure to have you here. We have had a good hearing.

Mr. CISNEROS. I look forward to coming back to work with you on other matters as they come up. We have got a difficult series of budget discussions ahead. I understand you are going to be taking this up quickly, and we do appreciate that. So much of this depends upon being able to move it forward. You have heard all the discussion about how fast it can go, it all depends on how fast we can get the approval to get the money out.

Mr. STOKES. That is our plan, to try to move it as expeditiously as we can.

Thank you.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT GRANTS

Proposed Supplemental Appropriation
Fiscal Year 1993

"COMMUNITY DEVELOPMENT GRANTS"

(Supplemental now requested, existing legislation)

"For an additional amount for "Community development grants," $2,536,000,000, to remain available until December 31, 1994: Provided, That from the foregoing amount, $25,360,000 shall be available for grants to Indian tribes in compliance with section 106(a)(1) of the Housing and Community Development Act of 1974, as amended, $4,000,000 shall be available for grants under section 107(b)(1) of such Act, and the remainder shall be for States and units of general local government that are eligible under section 106 of such Act: Provided further, That the Secretary may waive entirely, or in any part, any requirement set forth in title I of such Act, except a requirement relating to fair housing and nondiscrimination, the environment, and labor standards, if the Secretary finds that such waiver will further the purposes of this appropriation: Provided further, That after December 31, 1994, any of the foregoing amount that is obligated, but which the grantee has not drawn down from its letter of credit, shall be deobligated by the Secretary and shall expire."

SUMMARY OF BUDGET REQUEST

This supplemental request would provide an additional $2,536 million to entitled communities, States, indian tribes and insular areas for the purpose of stimulating the economy throughout a broad sector of the nation by funding needed improvements to housing, public facilities and public services that can be carried out within a short period of time. The allocation of these funds will be based on the same entitlement configuration and formulas as employed in allocating the $4 billion previously appropriated for the program for 1993.

Tight deadlines will be established for applying for the grants, and for committing and expending the funds. Grantees will have until December 31, 1994 to expend their funds. After that date, unexpended funds will expire. Basic program rules will apply to the use of the funds, with some waivers or exceptions aimed at enabling communities to apply the funds to immediate needs with greater flexibility. The Department anticipates waiving the existing 15 percent "cap" on the use of funds by a grantee for public services. This should enable grantees to move quickly to create new employment opportunities.

An estimated total of nearly 60,000 new jobs of all types would be generated by this proposal during fiscal years 1993-1995.

PROGRAM DESCRIPTION

The HCD Act of 1974 authorizes a wide range of eligible CDBG activities, including the acquisition and disposition of real property, construction of public facilities projects, rehabilitation of housing and provision of a variety of public services. Substantial reconstruction of housing is eligible in limited circumstances involving housing owned and occupied by low- and moderate-income persons.

CDBG activities undertaken are on the basis of local priorities. However, each of these activities must either benefit low- and moderate-income persons, or aid in preventing or eliminating slums or blight, or meet particular urgent community development needs, as certified by the grantee. At least 70 percent of all CDBG funds received by a grantee currently must be used for activities that benefit persons of low- and moderate-income over a period up to 3 years.

The following table shows the fund distribution of the proposed 1993 supplemental appropriation for CDBG:

	(Dollars in Thousands)
Entitlement..........................	$1,754,648
Nonentitlement.......................	751,992
Indian Tribes........................	25,360
Insular Areas........................	4,000
Total, CDBG..........................	2,536,000

OUTLAY IMPACT

The $2,536 million of additional obligations in fiscal year 1993 would increase outlays by $659 million in 1993, $1,319 million in 1994, and $558 million in 1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

SUPPORTIVE HOUSING PROGRAM

Proposed Supplemental Appropriation
Fiscal Year 1993

"TRANSITIONAL AND SUPPORTIVE HOUSING DEMONSTRATION PROGRAM"

(Supplemental now requested, existing legislation)

"For an additional amount for "Transitional and supportive housing demonstration program", $423,000,000, to remain available until December 31, 1994: Provided, That the Secretary shall fund approvable applications for such additional amount in the order submitted, in accordance with requirements established by the Secretary: Provided further, That the Secretary may waive, in whole or in any part, any requirement set forth in subtitle C of title IV of the Stewart B. McKinney Homeless Assistance Act, as amended, except a requirement relating to fair housing and nondiscrimination, if the Secretary finds that such waiver will further the purposes of this appropriation: Provided further, That notwithstanding section 426(a)(3) of that Act, the applicant shall own or control the site at the time of application: Provided further, That the total amount approved for any one applicant may not exceed $10,000,000: Provided further, That after December 31, 1994, any of the foregoing amount that is obligated, but which the grantee has not drawn down from its letter of credit, shall be deobligated by the Secretary and shall expire: Provided further, That the Secretary shall, by notice published in the Federal Register, establish such requirments as may be necessary to carry out the provisions of this appropriation."

SUMMARY OF BUDGET REQUEST

This request demonstrates the Clinton Administration's strong commitment to ending the national disgrace of homelessness by proposing a supplemental appropriation for 1993 of $423 million for the Supportive Housing Program. This supplemental appropriation will fund activities that can be implemented immediately to house and provide appropriate services to the nation's homeless families and individuals. These funds would both increase economic activity and have a visible impact on one of the nation's most daunting social problems.

By providing funds for housing rehabilitation and services, this effort would not only have a positive impact on the nation's economy through the creation of jobs, but would also provide sorely needed funds to help end this tragedy. The funds would not just address the symptoms, but would also address the root causes -- the lack of shelter and multiple social dysfunctions such as mental illness, substance abuse, and lack of job skills. There would also be a long-term benefit for the nation when many of the formerly homeless are able to become productive members of society through these efforts and, thereby, lessen the demand for other benefit programs.

To ensure the rapid award and expenditure of these funds, special procedures would be employed. The proposed appropriations language will permit the Department to establish special criteria that emphasize the rapid use of funds to stimulate the economy and meet immediate needs of homeless families and individuals. Projects lacking site control, appropriate zoning, and financial commitments for the non-Federal share of costs would not be funded.

The Notice of Fund Availability for this special initiative would establish threshold criteria for applying for these funds, including: (1) that applicants have at least three years of relevant experience in implementing the types of activities for which they are requesting funding, (2) that there are no known impediments to immediate implementation of the activities, and (3) that the applicant describe its plan for ensuring the funds are spent by December 31, 1994. Expenditures of appropriated funds would begin within two months of enactment of the supplemental appropriation and would be completed by December 31, 1994. Funds not expended by December 31, 1994 would expire.

An estimated total of nearly 11,200 new jobs would be created by the $423 million supplemental appropriation during fiscal years 1993-1995.

PROGRAM DESCRIPTION

The Supportive Housing Program is authorized by Title IV, Subtitle C of the Stewart B. McKinney Homeless Assistance Act, as amended. Section 1403 of the Housing and Community Development Act of 1992 revised extensively the program's authorization by combining the previous transitional and permanent housing components as well as incorporating elements of the former SAFAH program. The revised Supportive Housing program is designed to provide supportive housing and services especially to deinstitutionalized homeless individuals, homeless families with children, homeless individuals with mental disabilities and other handicapped persons.

OUTLAY IMPACT

The $423 million of additional obligations in fiscal year 1993 would increase outlays by $127 million in 1993, $211 million in 1994, and $85 million in 1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

Community Development Grants

For an additional amount for "Community development grants," $2,536,000,000, to remain available until December 31, 1994: Provided, That from the foregoing amount, $25,360,000 shall be available for grants to Indian tribes in compliance with section 106(a)(1) of the Community Development Act, as amended, $4,000,000 shall be available for grants under section 107(b)(1) of such Act, and the remainder shall be for States and units of general local government that are eligible under section 106 of such Act: Provided further, That the Secretary may waive entirely, or in any part, any requirement set forth in title I of such Act, except a requirement relating to fair housing and nondiscrimination, the environment, and labor standards, if the Secretary finds that such waiver will further the purposes of this appropriation: Provided further, That after December 31, 1994, any of the foregoing amount that is obligated, but which the grantee has not drawn down from its letter of credit, shall be deobligated by the Secretary and shall expire.

This supplemental request would stimulate the economy throughout a broad sector of the Nation by funding needed improvements to housing, public facilities and public services that can be carried out within a short period of time. The allocation of these funds will be based on the same entitlement configuration and formulas as employed in allocating the $4 billion previously appropriated for the program for 1993. Tight deadlines will be established for applying for the grants, and for committing and expending the funds. Basic program rules will apply to the use of the funds, with some waivers or exceptions aimed at enabling communities to apply the funds to immediate needs with greater flexibility.

The $2.5 billion of additional obligations in fiscal year 1993 would increase 1993 outlays by $659 million. An estimated total of 59,600 new jobs would be generated by this proposal during FY 1993-1995.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

Transitional and Supportive Housing Demonstration Program

For an additional amount for "Transitional and supportive housing demonstration program," $423,000,000, to remain available until December 31, 1994: Provided, That the Secretary shall fund approvable applications for such additional amount in the order submitted, in accordance with requirements established by the Secretary: Provided further, That the Secretary may waive, in whole or in any part, any requirement set forth in subtitle C of title IV of the Stewart B. McKinney Homeless Assistance Act, as amended, except a requirement relating to fair housing and nondiscrimination, if the Secretary finds that such waiver will further the purposes of this appropriation: Provided further, That notwithstanding section 426 (a) (3) of that Act, the applicant shall own or control the site at the time of application: Provided further, That the total amount approved for any one applicant may not exceed $10,000,000: Provided further, That after December 31, 1994, any of the foregoing amount that is obligated, but which the grantee has not drawn down from its letter of credit, shall be deobligated by the Secretary and shall expire: Provided further, That the Secretary shall, by notice published in the Federal Register, establish such requirements as may be necessary to carry out the provisions of this appropriation.

This supplemental request would provide an additional $423 million for activities that could be implemented immediately to house and provide appropriate services to the Nation's homeless families and individuals. By providing funds for housing rehabilitation combined with health and social services, this proposal not only addresses the symptoms, but also the root causes of homelessness -- the lack of shelter and the multiple social problems of many homeless people, such as mental illness, substance abuse, and lack of job skills. To ensure rapid award and expenditure of these funds, the regular program will be modified in order to focus funding on projects that are ready for immediate implementation.

The $423 million of additional obligations in fiscal year 1993 would increase 1993 outlays by $127 million. An estimated total of 11,200 new jobs would be generated by this proposal during FY 1993-1995.

TUESDAY, FEBRUARY 23, 1993.

NATIONAL SCIENCE FOUNDATION

WITNESSES

DR. WALTER E. MASSEY, DIRECTOR, NATIONAL SCIENCE FOUNDATION

DR. FREDERICK M. BERNTHAL, DEPUTY DIRECTOR

JOSEPH KULL, CHIEF FINANCIAL OFFICER AND DIRECTOR, OFFICE OF BUDGET, FINANCE AND AWARD MANAGEMENT

DR. MARY CLUTTER, ASSISTANT DIRECTOR FOR BIOLOGICAL SCIENCES

DR. NICO HABERMAN, ASSISTANT DIRECTOR FOR COMPUTER AND INFORMATION SCIENCE AND ENGINEERING

DR. JOSEPH BORDOGNA, ASSISTANT DIRECTOR FOR ENGINEERING

DR. ROBERT CORELL, ASSISTANT DIRECTOR FOR GEOSCIENCES

DR. WILLIAM HARRIS, ASSISTANT DIRECTOR FOR MATHEMATICAL AND PHYSICAL SCIENCES

DR. CORA MARETT, ASSISTANT DIRECTOR FOR SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES

DR. NATHANIEL PITTS, DIRECTOR, OFFICE OF SCIENCE AND TECHNOLOGY INFRASTRUCTURE

DR. LUTHER WILLIAMS, ASSISTANT DIRECTOR FOR EDUCATION AND HUMAN RESOURCES

CONSTANCE McCLINDON, DIRECTOR, OFFICE OF INFORMATION AND RESOURCE MANAGEMENT

DR. RAYMOND E. BYE, JR., DIRECTOR, OFFICE OF LEGISLATIVE AND PUBLIC AFFAIRS

Mr. STOKES. The committee will come to order.

Dr. Massey, it is a pleasure to welcome you and your associates back before the subcommittee once again.

We have your testimony here. Let me just say at this time we will take your statement and you may proceed any way you like. Why don't you introduce your associates with you. Proceed with your testimony any way you would like.

Mr. MASSEY. I would like to introduce Dr. Bernthal, the Deputy Director of the agency, and Joe Kull, Chief Financial Officer of the agency. In the rows here are the Assistant Directors and other heads of staff offices. In the interests of time, I will not introduce each one.

I have a brief statement and then I will respond to questions.

First of all, I welcome the opportunity to testify before you and the subcommittee today in support of the President's request for a $207 million supplemental appropriation for the National Science Foundation. We have given a detailed justification for this supplemental appropriation which is attached to the testimony I have submitted for the record.

The research activities supported by the National Science Foundation contribute to the broad goals set forth in the President's economic plan submitted to the Congress last week; that is, to provide the stimulus needed to put the country back on a path of stable economic growth and to provide a long-term investment that will benefit future generations.

An extremely important part of the effort to promote long-term economic growth is to increase investment in research and new technologies. NSF's activities contribute to improving the Nation's productivity by generating new knowledge and investing in the future by training the current and next generation of scientists and engineers.

Consistent with these goals, the President's goals, as well as the recommendations of the National Science Foundation's Commission on the Future of the NSF—a copy of which I would like to submit for the record—we are proposing to allocate the funds requested $112 million, or about 55 percent to what we term strategic research initiatives. These will be at the level we requested in our original 1993 request, which was not fully funded.

These initiatives include: advanced manufacturing, global change research, materials research, biotechnology, and high-performance computing and communications. Each of these areas we feel offers the potential for early application of newly discovered knowledge.

As part of the emphasis on high-performance computing, $19 million of that $112 will be targeted for networking and computer applications that can help address problems in health care, education, manufacturing, and access to library information.

As you know, the success of the interagency—that is the HPCC effort, the high-performance computing and communications effort—is dependent upon the partnerships that have developed between the various agencies in this program. This supplemental request significantly strengthens the NSF's ability to carry out our role and meet our responsibilities in this important interagency activity.

The balance of the supplemental research and related budget request—about $85 million—would be used to augment our other, what we term curiosity-driven research activities. These activities are performed, just as our strategic research activities are, overwhelmingly by individual investigators and small groups of researchers and represent a critical long-term investment in our Nation's future.

In many cases, these funds will be used to enhance existing awards so that we can more fully enable the conduct of the research we support. For example, these supplemental funds will allow us to strengthen our environmental research and education efforts—particularly as they relate to linkages and partnerships with industry and other sectors.

Additionally, they will also be used to augment the Small Business Innovation Research program, which helps small businesses with strong research capabilities pursue innovations which lead to new products and processes.

We are also requesting an additional $4.7 million for the academic research facilities and instrumentation activity to be used here, however only for instrumentation. These resources provide support for the development and acquisition on a cost-sharing basis of major instruments needed in university-based scientific and engineering research.

Finally, as you know, our salaries and expenses appropriation for fiscal year 1993 is extremely constrained. We have already reduced administrative services and eliminated a number of important program management positions this year.

Now that the relocation negotiations with GSA and OMB have been concluded and we will be moving to Ballston, Virginia, the constraints on our salaries and general expenses account have been further exacerbated. Therefore, this supplemental request includes $4.7 million to help address part of the shortfall from our current services level as well as meet some of the requirements associated with relocation that have emerged since the subcommittee's approval of our current plan late last year.

We will also, in line with the President's priorities, increase our investment in new technologies to make the agency more efficient in its management operations.

The supplemental appropriation comes at a particularly important time for the foundation. Last November, our board established a special Commission on the Future of the National Science Foundation. That commission issued its report in November and the report contained a number of recommendations. Two we find appropriate to this discussion.

The commission said that NSF should have two major goals in the allocation of resources. One is to support curiosity-driven research initiated by scientists and engineers at the forefront of knowledge. The second goal is to have a balanced allocation of resources in strategic research areas.

The second recommendation was that the NSF should enable research rather than merely support it. That means providing grants of the size and scope to truly support innovative research. This supplemental request, as I said earlier, is fully responsive to both these important recommendations.

It is important to consider that exceptionally innovative ideas, both in our core programs and in our strategic research efforts, often entail significant costs and require equipment purchases which under normal circumstances might be denied or delayed or scaled down.

This supplemental request would allow us also to augment existing research activities as well as initiate a number of new projects. All of them have already been subjected to our merit review process, but we simply did not have the funds available up to now to support this cutting-edge research.

Mr. Chairman, this supplemental appropriation provides NSF with a unique opportunity to maintain the momentum for investment in research that is so critical to the country's economic growth. Our plans are in place, our priorities are set, and both the enduring and economic benefits of research investments are consistent with the President's economic package.

Again, I thank you for the opportunity to testify on behalf of the NSF. I will respond to questions from the committee.

[The information follows:]

Testimony of

Walter E. Massey

Director, National Science Foundation

Before

The House Appropriations Subcommittee

On Veterans Affairs, HUD and Independent Agencies

February 23, 1993

Mr. Chairman, I welcome the opportunity to testify before you and the subcommittee today in support of the President's request for a $207 million supplemental appropriation for the National Science Foundation. A detailed justification for this supplemental is attached to my testimony.

The research activities supported by the National Science Foundation contribute to the broad goals set forth in the President's economic plan submitted to the Congress last week -- that is to provide the stimulus needed to put the country back on a path of stable economic growth and to provide a long-term investment that will benefit future generations.

An extremely important part of the effort to promote long-term economic growth is to increase investment in research and new technologies. NSF's activities contribute to improving the nation's productivity by generating new knowledge and investing in the future by training the current and next generation of scientists and engineers.

Consistent with these goals, as well as the recommendations of the NSB Commission on the Future of the NSF, we are proposing to allocate $112 million -- or about 55% of the supplemental research and related budget request -- to fully fund our strategic research initiatives at the levels proposed in our FY 1993 budget request. These initiatives include: advanced manufacturing, global change research, materials research, biotechnology, and high performance computing and communications. As part of the emphasis on high performance computing, $19 million will be targeted for networking and computer applications that can help address problems in health care, education, manufacturing, and access to library information. Each of these strategic research initiatives offers the potential for early application of newly discovered knowledge.

The balance of the supplemental research and related budget request -- about $85 million -- would be used to augment our other, curiosity-driven research activities. These activities are carried out by individual investigators and small groups of researchers and represent a critical long-term investment in our nation's future. In many cases, these funds will be used to enhance existing awards so that we can more fully enable the conduct of the research we support. For example, these supplemental funds will allow us to strengthen our environmental research and education efforts -- particularly as they relate to linkages with industry and other sectors. Additionally, these funds will augment our Small Business Innovation Research program which helps small businesses with strong research capabilities pursue innovations which lead to new products and processes.

We are also requesting an additional $4.7 million for the academic research facilities and instrumentation activity to be used for instrumentation. These resources would provide support for the development and acquisition, on a cost-sharing basis, of major instruments needed in university-based scientific and engineering research.

Finally, as you know, our salaries and expenses appropriation for FY 1993 is extremely constrained. We have reduced administrative services and eliminated a number of important program management positions. Now that our relocation negotiations with GSA and OMB have been successfully concluded and NSF will be moving to Ballston, VA, the constraints on our salaries and expenses account have been further exacerbated. Therefore, this supplemental request includes $4.7 million to help address the serious shortfall that exists in our salaries and expenses activity.

The supplemental appropriation comes at a particularly important time for NSF. Last November, a special Commission on the Future of the National Science Foundation issued its report in which it emphasized a number of issues. The Commission said that NSF should have two goals in the allocation of its resources. One is to support first-rate research at many points on the frontiers of knowledge, identified and defined by the best researchers. The second goal is a balanced allocation of resources in strategic research areas. The Commission also emphasized the need to *enable* research, rather than to merely support it. This means providing grants of a size and scope to support truly innovative research. This supplemental request is fully responsive to those important recommendations.

It is important to consider that exceptionally innovative ideas, both in our core programs and in our strategic research efforts, often entail significant costs and require equipment purchases, which under normal circumstances, might be denied or delayed or scaled down. This supplemental request would allow us to augment existing research activities as well as initiate a number of new projects -- many of which have already been subjected to the merit review process -- at levels that would truly enable cutting edge research.

Mr. Chairman, this supplemental appropriation provides NSF with a unique opportunity to maintain the momentum for investment in research that is so critical to this country's economic growth. Our plans are in place, our priorities are set, and both the enduring economic benefits of research investments are consistent with the President's economic package.

Thank you for this opportunity to testify on behalf of NSF.

Justification of Proposed Supplemental FY 1993 Appropriation for the National Science Foundation

The supplemental FY 1993 request for the National Science Foundation totals $206.8 million, distributed to the following appropriations: $197.4 million for Research and Related Activities, $4.7 million for Academic Research Facilities and Instrumentation, and $4.7 million for Salaries and Expenses. These funds will provide NSF with a unique opportunity to maintain the momentum for research investment that is critical to the long-term economic growth of the nation and maintain operations at the FY 1992 level.

Research and Related Activities

The supplemental request for Research and Related Activities of $197.4 million will be used for research projects that invest in the nation's future through support for the development of the next generation of scientists and engineers. This investment will enable individual researchers and small groups of investigators to carry out fundamental and strategic research that generates new scientific and engineering knowledge.

In FY 1992 the National Science Foundation had approximately $1 billion of unfunded proposals that were very highly rated by the science and engineering community. Thus, NSF has the immediate capacity to invest more funds in a broad range of important fundamental and strategic research and technology areas.

Of the $197.4 million requested, $112.2 million will be used to fully fund NSF's strategic research initiatives at the levels proposed in the FY 1993 Budget Request to Congress. These initiatives include: advanced manufacturing, global change research, materials research, biotechnology, and high performance computing and communications. As part of the emphasis on high performance computing, $19 million will be targeted for networking and computer applications that address problems in health care, education, manufacturing, and access to library information.

The remaining $85.2 million of the supplemental Research and Related Activities budget request will be used to augment NSF's core research activities, including such efforts as environmental research. These core research activities by individual investigators and small groups of researchers represent a long-term investment in the nation's future. Funds will also be provided to NSF's SBIR program to develop research capabilities in small businesses and to meet the higher funding level mandated for the program.

The proposed supplement will restore funding for Research and Related Activities to roughly the level that was requested for FY 1993.

Academic Research Facilities and Instrumentation

The supplemental request for Academic Research Facilities and Instrumentation of $4.7 million will be used, on a cost-sharing basis, to support the development and acquisition of major research instruments needed for university-based scientific and engineering research. These funds will help enhance research productivity and improve the research environment for the nation's scientists and engineers.

Salaries and Expenses

The supplemental request will provide funds that support the development, management, and coordination of the National Science Foundation programs. In order to fully support the FY 1992 level of staffing and support services, Salaries and Expenses (S&E) funds in the amount of $115,700,000 are required in FY 1993. The increased costs of current services result primarily from the mandated government-wide 1993 pay raises, as well as from increased rent for currently occupied space. The requested funding will maintain the Foundation's capability to effectively manage NSF programs.

A Foundation for the 21st Century:

A Progressive Framework for the National Science Foundation

Report of the National Science Board Commission
on the Future of the National Science Foundation

November 20, 1992

Letter of Transmittal

Dr. James J. Duderstadt
Chairman, National Science Board

Dear Dr. Duderstadt:

On behalf of the Commission on the Future of the National Science Foundation, we are pleased to present the attached report.

We call the attention of the Board to the extraordinary outpouring of very thoughtful letters from individual scientists and from institutions large and small elicited by its charge to this Commission. Many of these letters are the result of serious drafting by very well informed people. The Board should not only study this material but should be mindful of the opportunities in the future to use this method for an extended dialogue on matters of great moment to the nation.

We are also grateful to those who have spoken with us formally and informally. The report could not have been completed in a timely manner without the support of you, Dr. Walter E. Massey, Dr. Charles Brownstein, and many others on the staff of the Foundation.

We hope that our recommendations may lead to a better understanding of the role of science and engineering in meeting national goals and a better linking of scientific results with those goals.

We are honored to have been given this responsibility and to have worked with the distinguished members of the Commission.

William H. Danforth
Washington University

Robert Galvin
Motorola, Inc.

Co-chairpersons

November 20, 1992

NATIONAL SCIENCE BOARD COMMISSION ON THE FUTURE OF THE NATIONAL SCIENCE FOUNDATION

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Executive Secretary, **Charles N. Brownstein**
National Science Foundation

Preface

James J. Duderstadt
Chairman, National Science Board

The establishment of an external commission by the National Science Board is a remarkable event. Over the past 40 years the Board has established external commissions on only a handful of occasions when circumstances suggested the need for an impartial and expert consideration of significant issues of national science policy.

In the context of long range planning discussions with the National Science Board, the Director of the National Science Foundation, Walter E. Massey, explored with the Board the challenges facing NSF in the future and the Foundation's appropriate responses. Accordingly, he recommended and the Board established the Commission on the Future of the National Science Foundation.

As the Commission notes at the outset of its report, the transformation of the political, economic, and social context occurring both domestically and abroad is changing how we as a society view and support science and engineering research. The Commission stresses the fundamental importance of continuing the National Science Foundation's basic mission of supporting first-rate research, identified and defined by the best researchers within the academic research community. At the same time the Commission also underscores the importance of supporting key strategic research areas in response to scientific opportunities to meet national goals.

The report notes that the challenges the National Science Foundation faces go to the core of our assumptions about the role of science in our society. In the context of enhanced public confidence in and support of science and engineering research the Foundation must better position itself to respond to strategic research opportunities. Strong linkages between research and education will be critical to this endeavor, as will more effective partnerships between the academic research community and other sectors of our society such as industry and government.

Throughout the report, the commission identifies challenging issues that will require NSF attention. These include evolving research fields, interdisciplinary opportunities, increasing dependencies among stages in technology development, grant size, student support, improved science education, knowledge diffusion and facility needs. Yet the Commission also acknowledges that the NSF budget is inadequate to support even its present responsibilities and programs and that the National Science Foundation will find it difficult to respond to these new challenges without an increase in resources.

From this perspective, the Commission strongly recommends that the NSF's responsibilities and opportunities—both present and proposed—and its budgetary needs be examined within the context of a newly conceived Federal R&D budget capable of responding to national needs. To this end, the Commission urges that its recommendations be considered by the National Science Board in the context of the Board's own responsibility to develop and carry out national policy for science and engineering research and education more broadly.

The Commission report affirms the importance of the NSF's historical mission, provides an excellent starting point for assessing the new environment for research and education, and offers recommendations for meeting the needs imposed by these changes. The wisdom contained in the pages that follow will inform discussions within the Board and the broader scientific community on issues important to both the National Science Foundation and to the nation.

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Background

THE UNITED STATES is preeminent in science thanks to public support for patient and judicious investment, private as well as public, since World War II. As a result of the government's reliance on universities for much of the nation's basic research, American graduate education in the sciences and engineering leads the world.

The National Science Board (NSB) and the Director of the National Science Foundation (NSF), in a spirit of self examination, have asked this Commission to stimulate thinking on long range strategies for the Foundation.

The task is important:

- despite having only about three percent of the total federal R&D budget, the NSF has for over 40 years played an essential role in the scientific primacy of the United States;
- the NSF serves as a major source of new scientific and engineering ideas and skilled people underpinning broad sectors of our economy and our society.

And timely:

- expectations for benefits from scientific and engineering research, including economic growth, are growing and changing;
- the U.S. is competing in an expanding global market place;
- there is realization that scientific leadership does not translate automatically into economic success for American industry;
- corporate research is becoming more sharply focussed on market-related issues, with fewer companies supporting long term research;
- there are calls for greater accountability.

The NSF serves as a major source of new scientific and engineering ideas and skilled people underpinning broad sectors of our economy and our society.

Key to the success of the National Science Foundation in building American science has been:

- its broad mandate to strengthen American science and engineering;
- a partnership of trust built with America's scientists, engineers, and academic institutions;
- investigator initiated proposals and selection of the best of these proposals on the basis of merit;
- strong educational programs;
- the flexibility to pursue new ideas.

Today, America's hopes for benefits from science focus additionally on:

- greater economic success;
- better health and less expensive health care;
- protection of the environment;
- continuing military security in a changing world;
- other improvements in the quality of life, including communications, transportation, housing, efficient use of resources, and better education of young people.

With shifts in emphasis from defense to civilian concerns, the private sector is an increasingly important consumer of new scientific knowledge. Changes in American businesses and universities hold promise of a more receptive adoption and practical application of the knowledge born of research and advanced education. These include:

- more progressive quality processes, and operations standards and systems;

- a realization that longer term versus shorter term thinking and planning is necessary;
- an increase in shared funding of research and engineering by industry and state and local governments;
- academic scientists working more closely with industry.

Changes in American businesses and universities hold promise of a more receptive adoption and practical application of the knowledge born of research and advanced education.

An important national priority is to improve the relative industrial strength of the United States. The National Science Foundation can make contributions to economic success, but developing a plan to do so must begin with an understanding of the system and of the reasons for failure of some industries in world markets.

Failures in the market place have not been the result of slow transfer of academic science to industry. In fact, American firms have been the first to commercialize virtually all innovative products, but have lost market share to competitors with shorter product cycles, lower costs, and superior quality. All manner of other more prominent factors, including the stewardship by American business, far outweigh whatever could be traced to the technology itself or the technologists.

Success requires: an enlightened federal science and technology policy that touches all relevant agencies, a determination by industry to reach out for talent and knowledge, and the development of appropriate links. The universities and the NSF should complement rather than replace the roles of those engaged in technology development.

Redirecting the NSF's activities from research and education would have little or no effect on the U.S. competitive position in the near term, but would severely restrict prospects for the long term. Research and education activities offer ample opportunity to increase the potential contribution of scientists and engineers to society.

We therefore commend to the National Science Board the following recommendations.

Findings and Recommendations

CHANGE IS PART of the national agenda. NSF, and the colleges and universities it supports, are in a position to help create a new vision of and value from the role of science and engineering for society.

To realize these benefits more fully, the Commission commends to the National Science Board and the broader scientific community these:

General Recommendations

1. The United States should have a stronger and more coherent policy wherein science and engineering can contribute more fully to America's strength.

   The Board is encouraged to work with the President, his Science Advisor, and the Federal Coordinating Council on Science, Engineering, and Technology (FCCSET) to assess the health of science and engineering broadly and to generate a stronger policy into which the NSF mission fits. This thesis is amplified in the conclusion of the report.

2. Society's voice is welcome and needed.

   Society's support for the NSF and for university research is based on the confident expectation that the generation of new knowledge and the education of a skilled workforce are necessary (though not sufficient) investments to achieve our national goals of a high quality of life in a productive and growing economy. In accepting society's support, the scientific community naturally assumes an obligation to be both responsive to national needs voiced by society as well as the intellectual priorities solely initiated by the scientist or engineer.

Concern over technology application and competitiveness sometimes conjures a choice that budgeting is decided on either the criteria to please the scientists or to serve the public need. In reality these criteria and interests are congruent.

The history of science and its uses suggests that the NSF should have two goals in the allocation of its resources. One is to support first-rate research at many points on the frontiers of knowledge, identified and defined by the best researchers. The second goal is a balanced allocation of resources in strategic research areas in response to scientific opportunities to meet national goals.

It is in the national interest to pursue both goals with vigor and in a balanced way. The allocation of resources should be reviewed regularly with these two goals in mind. Positive responses to both will enhance the standing of science.

NSF should have two goals.... One is to support first-rate research at many points on the frontiers of knowledge, identified and defined by the best researchers. The second goal is a balanced allocation of resources in strategic research areas....

3. The Commission strongly supports the initiation of proposals by investigators and selection of those to be funded by merit review carried out by experts. This method has proved to be the best way of tapping into the creativity of research scientists and engineers. Periodic examination of how to improve the functioning of the system is in order. The system, of course, must assure the selection of work of the highest quality and promise.

4. The NSB, the NSF, and the science and engineering community must better come to grips with the reality that many fields not covered by traditional disciplines offer challenges for new knowledge and opportunities for creative, investigative research worthy of the most gifted scholar. These fields should be valid candidates for support and may both yield key knowledge and enable timely response to national goals.

5. Since the private sector plays the major role in the translation of knowledge into new products and services, and since the speed and efficiency of this process is an important factor in a productive and growing economy, it is appropriate that the NSB involve the private sector more fully than heretofore in the decisions which affect the classes of

research allocation as well as some evaluation of the effectiveness of the expenditures. It is more than incidentally significant that scientific advances are as likely to be driven by advances in technology as the reverse, and the interplay between parties who are conversant in both fields holds promise of synergy.

Research Recommendations

Nature knows nothing about disciplinary boundaries.

1. The Board and Foundation's key role in the support of research in science and engineering should be strongly reaffirmed.

2. The NSB and the NSF should encourage interdisciplinary work and cooperation among sectors. Nature knows nothing about disciplinary boundaries.

3. There is a convergence between science and technology arising from technology today having a stronger basis in theory and data, which creates increased demand for research at every stage of the innovation process. Goals for science are, for the most part, necessarily long-term. However, new knowledge from fundamental research is important early-on, to the technical community, as a guide for anticipating future progress in technology and in the selection of strategies for future developments.

   Commercial technology is to a significant degree the result of the work of the NSF, although it is not what the NSF does. NSF and its research and education programs do have much to do with making possible new technologies.

4. It is urged that the size of NSF grants be examined. Many believe that on average, NSF individual research grants are too small. Examination of separate fields and wide consultation within the community would help in understanding the issues. We favor research grants sufficient to do the work for which the grant is awarded.

5. The management of NSF should from time to time review the make up and combinations of Directorates to maintain the most effective focus and management of the selection process, taking into account the evaluation of research, the desirability of interdisciplinary research, the needs of different types of research and efficiency of operation.

6. The diffusion and dissemination of the knowledge and skills derivable from scientific and engineering discoveries are important. Although complex, the system is working better than many presume. It works particularly well when university trained researchers and professionals move from position to position in academia or in industry.

   Dissemination is improvable by:

   a) further encouragement of cross-disciplinary collaboration;

   b) facilitating exchanges of people between universities, industry, and government;

   c) utilizing the collective advice of the scientists and engineers in industry, universities, and government agencies;

   d) support of research with active industrial participation;

   e) more effective circulation of scientific discoveries through publications, conferences and networking;

   f) continuing funding for the maintenance of and access to large scale data bases;

   g) development of information infrastructure, such as NSFNET, to facilitate communications, research collaboration, and remote access to shared resources and facilities.

7. The Foundation should more aggressively lead in communicating the "case" for science and engineering, which deserve a high priority in the mind of public officials and citizens alike.

   There is a widespread lack of appreciation of the complex interconnected processes by which new knowledge eventually leads to societal benefits. This exists in the university and scientific communities as well as in the halls of government. The NSF should take the lead in interpreting this process to all of its publics.

8. The NSF should both set an example and work with others in fostering international cooperation and agreements for the most effective exchange of research results and for research collaboration. To do so is beneficial to all parties, as important discoveries can be made anywhere.

Undergraduate education is enriched by faculty participating in research.

9. Undergraduate education is enriched by faculty participating in research. Research is essential to preparing graduate students for scientific careers in academia, government, and industry.

   We endorse graduate fellowships and traineeships. Students are quite responsive to perceived national needs in their selection of fields of research. The involvement of underrepresented groups should continue to be vigorously encouraged.

10. Successful research requires increasingly sophisticated instrumentation and facilities. We urge the NSB to maintain surveillance over the state of these national resources and to work for a national plan to keep them adequate for the conduct of pioneering science and engineering.

Education Recommendations

1. A major priority for the NSB and the NSF should continue to be education in science and engineering.

   NSF's support of education has a cascading influence. The Foundation should be at the leading edge of ever-emerging improvements in curricula, and methodologies of teaching and training for research.

2. The NSF should encourage further development of joint science, engineering, and management education programs.

This recommendation complements our previous research recommendations, which call for recognizing the importance and equivalence of scholarly research in a broader range of fields.

3. The Foundation is chartered to support improved education in mathematics and science throughout all the school years, from kindergarten through graduate and post doctoral studies. The two most critical areas needing improvement are K-12 education and undergraduate education.

   K-12 education, which prepares both the workforce and pre-professional students, must continue to receive the Foundation's serious attention and be pursued in collaboration with the Department of Education and other involved parties.

   The Commission urges the NSF to persuade the scientific community to expand its commitments to improving the quality of undergraduate education in mathematics, science and engineering. Introductory courses, especially, need improvement.

   We take note of the fact that the system has no one single weakness. No single grade or class can be neglected, for students fall away from science at all stages of the educational process. As we work any stage of the system, we must appreciate consequences throughout the system.

Structural Recommendations

1. Measurement of systems generates improved quality of operations. We speak here of something more than accounting and accountability. All reasonable measurements of the quality of the output of research, the quality of research allocation and the other principal functions of the Foundation should be subject to rigorous and common sense metrics for the evaluation and increase in the quality of its activities.

   Enlightened universities are beginning to teach and apply such measurement systems and both of these should be encouraged openly by the Board of the Foundation.

2. NSF should continue to support shared, common use facilities that cannot be built and maintained by individual institutions. Such facilities make economic sense and are an essential part of the research infrastructure for many individual investigators.

The Stronger National Policy

THE COMMISSION URGES that the role of the NSF be further clarified within an overall national policy, the goal of which should be to maintain the premier position of U.S. science and engineering while regaining America's lead in the commercialization of technology.

The first general recommendation reads: "The United States should have a stronger and more coherent policy wherein science and engineering can contribute more fully to America's strength." A call of this nature is not new. The strategy has been voiced in many terms—national science policy, national technology policy, and others. We do not emphasize a title. But, we do advocate a broad national policy going beyond science and engineering and including technology and its applications. The policy should be responsive to the voice and needs of society. NSF, with its emphasis on research in science and engineering and its complementary emphasis on education for science and engineering, will play a major, direct, and cascading role in fulfilling the overall policy.

The NSB, in helping to develop a national science and technology policy, should move quickly to propose a role for the NSF based on its past mission and a vision of what is needed today. In this plan the NSF should build on its accomplishments and strengths, specifically its partnership with the scientists and engineers of the nation's colleges and universities in developing outstanding research and strong science education; its partnership with the Department of Education and state and local governments working to strengthen science education in grades K-12; and its role in maintaining the nation's scientific infrastructure. The plan should include a response to the recommendations of this Commission in order to strengthen and make more effective the work of the NSF in meeting national goals.

We urge that the Board and those involved in the planning resist any pressures to strip the NSF of its full spectrum of research goals and linkage mechanisms, from engineering research centers, to computer networks, to pure science and mathematics. The great strength of American science and of American universities is the absence of rigid cultural barriers between science and engineering and between pure research and its applications.

The great strength of American science and of American universities is the absence of rigid cultural barriers between science and engineering and between pure research and its applications.

Throughout the report we have identified new challenges, evolving research fields, interdisciplinary opportunities, increasing dependencies among stages in technology development, grant size, student support, improved science education, knowledge diffusion and facility needs. The NSF will find it difficult to respond to these new challenges without an increase in resources, for the budget of the NSF already is inadequate to support its present responsibilities and programs.

Nevertheless, each recommendation is soberly, seriously and confidently proposed as being in the nation's best interest.

We are not unmindful that adoption of most of our individual proposals will increase the funds needed by NSF. We are equally mindful that controlled growth in federal funding and even deceleration of federal expenditures are options that must be considered by governmental officials and that policies to control spending need the support of the citizenry.

Yet, we do not equivocate in recommending each and the aggregate to the Board and through the Board to Congress, to scientists, to business constituencies, and to the broader public. Our recommendations are made in the spirit of continual improvement of a fine existing system.

Moreover, we are aware that the value of the output of the system can be multiplied within a "system of the whole" which would better make the essential linkages of education—discovery—development—application—competitiveness—quality of life.

To address this issue we urge that the NSF's responsibilities, as spelled out in its mission statement, and its budgetary needs be examined in the context of a newly conceived federal R&D budget that supports the stronger, broader policy. Reallocation of funds could achieve an energizing result that stimulates academic scientists and engineers, government officials, and people from industry to serve better the U.S. public. For we are convinced that ever improving universities and colleges and an ever more quality minded private sector working together can:

- lower the cost of improving the quality of life;
- add value throughout our society;
- create true wealth and opportunity for the country.

The hidden costs of not doing so may never be accounted for but would swamp the apparent cost of what is an energizing investment. So, we must get on with it.

However, all roads need not lead just to the public treasury. We have one additional suggestion—expanded contributions by business to complement public funding for selected science, engineering and technology programs.

It has been noted in other public documents that industry's basic research spending has lessened. Yet industry's spending for what is generally called R&D is substantial. Further, industry is moving to more affiliations—alliances, joint ventures, and consortia. Led and attracted by the visibility of a better integrated and more adequately funded government-university partnership, we see promise of a more willing contributing partner from among the progressive businesses of all sizes, including the smaller, higher growth companies where shared cost in programs with reasonable potential of eventual use would be welcomed.

The Board and the National Science Foundation are today the lead organizations representing the interests of broad science and engineering in the United States.

Finally, the Commission returns to the role of the Board in influencing a stronger science and engineering and technology policy for the Nation. The Board and the National Science Foundation are today the lead organizations representing the interests of broad science and engineering in the United

States. The Board must work with its peers in the private and public sectors so that the nation might formulate a much needed science and technology roadmap. We are convinced that students, scientists, engineers, industry, and the public would join together to build and build on that roadway.

It is a journey we must begin.

Walter E. Massey
Director
National Science Foundation

James J. Duderstadt
Chairman
National Science Board

William H. Danforth
Commission Co-Chair

Robert Galvin
Commission Co-Chair

Mr. Stokes. Thank you very much, Director Massey.

Let me start out by saying the OMB submittal notes only $158 million of the $197 million will be obligated in fiscal year 1993. What accounts for the delay?

Mr. Massey. The various programs obligate at different rates. We did structure the programs this year to obligate as much as possible. That is another reason for requesting funds, to enhance existing grants and proposals that we have already approved or reviewed through the competitive process.

Mr. Stokes. The committee understands the funds necessary for the NSF move had been appropriated to GSA. Will NSF obligate any funds from its salaries and expenses account to reimburse GSA for the costs associated with the move?

Mr. Massey. In the supplemental appropriation? No, sir.

Mr. Stokes. Any part of it?

Mr. Massey. In 1993? No, we have no plans. Our agreement is to request money in 1994 and beyond to reimburse GSA.

Mr. Stokes. What about the current estimated total cost in 1993 to NSF?

Mr. Massey. Our estimates are approximately $13.5 million. The GSA, the money they loaned us for this year is $9 million. That is still an issue that we are negotiating with GSA and OMB, I should say.

Mr. Stokes. Would a RIF take place if the $4,700,000 were not appropriated?

Mr. Massey. I cannot answer that for sure, Mr. Chairman. We put together a plan this year to try to avoid a RIF by drastically decreasing expenditures in all accounts, travel, and computer purchases. We put in a semi-hiring freeze; but that is a very tenuous and delicate balance of resources. Four point seven million dollars would certainly help us to avoid the possibility of having an outright RIF.

Mr. Stokes. NSF received over 50 percent more than it requested for facilities and instrumentation last year. Have all the facilities resources been committed to date?

Mr. Massey. No, not all of them yet. But we had many more requests, meritorious requests for funds for that program than we were able to support. We had one solicitation earlier in the year. We issued another solicitation for the remainder of the funds.

What we would do is use the supplemental funds to fund those instrumentation requests that we have already reviewed and we consider meritorious.

Mr. Stokes. Does this $4.7 million represent a change in priorities at NSF?

Mr. Massey. No, it does not. What we intend to do in Salaries and Expenses, however, is to make sure that we use these funds to prepare us for the future, not simply to restore current services at the level that we will have had. We want to really invest in technologies that will allow us to manage things more efficiently. One of the beneficial aspects of the move is we have an opportunity now to invest in new technologies in the new location.

Mr. Stokes. You propose $112.2 million for advanced manufacturing, global change research, materials research, biotechnology, and high-performance computing. How many jobs will these initiatives create this year?

Mr. MASSEY. About 2400 we estimated if our funding patterns are consistent with the programs we funded in the past.

Mr. STOKES. Okay. Your justification indicates that $112.2 million of the request will be used to fully fund NSF's strategic research initiatives at the levels proposed in the original 1993 budgeted request. Those areas were advanced manufacturing, global change research, materials research, biotechnology, and high-performance computing. What we would like to have you do is break out the $112.2 million by those areas.

Mr. MASSEY. We have a table we will submit for the record, Mr. Chairman.

Mr. STOKES. Without objection, we will insert the table in the record at this point.

[The information follows:]

25-Feb-93

RESEARCH & RELATED ACTIVITIES BUDGET CROSSWALK
ALLOCATION OF SUPPLEMENTAL FY 1993 FUNDS
(Dollars in Millions)

	Original FY 1993 CP	BIO	CISE	ENG	GEO	MPS	SBE	Total Supplement	Revised FY 1993 CP	% Increase Revised '93/ Original '93
Original FY 1993 CP	$1,859.00	$271.33	$215.22	$261.10	$401.88	$619.94	$89.53			
Strategic Research Thrusts										
AMPP	303.58	0.82	0.50	6.60		7.00		14.92	318.50	4.9%
Biotech	190.19	3.43	2.60	2.80	1.73	4.40	0.45	15.41	205.60	8.1%
Global Change	124.00	1.00			34.50		2.00	37.50	161.50	30.2%
HPCC	225.17		36.00					36.00	261.17	16.0%
Manufacturing	104.37		2.08	5.50		0.50	0.25	8.33	112.70	8.0%
———		———	———	———	———	———	———	———		
Subtotal		5.25	41.18	14.90	36.23	11.90	2.70	112.16		
Enabling funds for individuals/small groups		14.88	6.51	20.83	7.53	28.59	6.72	85.07		
Total Increment, R&RA		$20.13	$47.69	$35.73	$43.76	$40.49	$9.42	$197.23		
Revised FY 1993 CP		$291.46	$262.91	$296.83	$445.64	$660.43	$98.95		$2,056.23	
Percent Increase Revised '93/Original '93		7.4%	22.2%	13.7%	10.9%	6.5%	10.5%		10.6%	

[illegible]

Mr. STOKES. We also would like to have you break out for us in what specific programs and program elements $85.2 million requested for core research activities would be allocated.

Mr. MASSEY. That is in the same table, Mr. Chairman.

Mr. STOKES. All right.

The administration is recommending deleting the second proviso of the Appropriations Act which prohibits transfers across appropriations accounts. We understand the administration does not object to deleting its recommendation and preserving the appropriations language as currently enacted. Is that correct?

Mr. MASSEY. That is correct.

Mr. STOKES. Okay. Thank you very much.

Mr. Lewis?

Mr. LEWIS. Thank you, Mr. Chairman.

I am not sure, Dr. Massey, if I understood your response to the Chairman's question.

How many jobs will that create this year? Did you give a figure?

Mr. MASSEY. We estimate 2400. It is not just the 112. It is the total supplemental appropriation of $207 million.

Mr. LEWIS. I presume those grants were going to be made to people already having jobs.

Mr. MASSEY. That is a good point. Some of them would be augmenting existing grants; that is why it is purely an estimate. For many of them, the monies will be used to supplement grants and for people who are not currently supported.

We reached the estimate on the basis of the number of people now supported on technical grants of this size.

Mr. LEWIS. As the President sent up the stimulus package, he emphasized jobs and quickly stimulating the economy but also content. It has been my assumption looking at this material that your request was largely based upon that second goal, that is the content or providing a down payment on the administration's long-run investment programs; is that right?

Mr. MASSEY. I think that is right. I would think the administration sees the NSF programs primarily as an investment in the future. Many of the programs have near-term spinoffs; but I think that would be an appropriate characterization of the reason we are getting this support for the down payment on the future rather than the emphasis on the immediate payoffs.

Mr. LEWIS. I need some clarification of the $4.7 million beyond what the Chairman requested. The 4.7 was designed as a supplement for salaries, et cetera.

I heard the comment that we would link a piece of that to the cost of the movement from D.C. into Virginia. I know there are some on this subcommittee who wondered about that move. I am hearing that those costs are being essentially transferred to GSA and you will reimburse GSA; is that correct?

Mr. MASSEY. Not all of the costs.

Mr. LEWIS. The costs were something like $16 million?

Mr. MASSEY. Last year.

Mr. LEWIS. I thought you and GSA would negotiate regarding that. The reason I am pursuing this is that we had two agencies before us earlier today who will be spending considerably more than NSF to speed economic recovery but neither asked for added salary and expenses. You are the first to suggest that this would be stimulating the economy. Why is that?

Mr. **Massey**. I don't know what the other agencies received in the request. But when we received the original appropriation, however, it was short from what we will require to maintain the current level of activities.

Mr. **Lewis**. Other agencies have made the same point, yet have been told to absorb it.

Mr. **Massey**. We have plans in place to operate the agency in a way that will increase the efficiency. I think what has happened to us this year is that the move has complicated all of the operations at the agency, and secondly, we are in the middle of a plan to replace a number of our computer systems and upgrade the technology required to manage the agency more efficiently.

So all of this money is not simply going to salaries. It is to prepare the agency to operate more efficiently and perhaps meet the President's goals for the future.

Mr. **Lewis**. I guess Dr. Massey, that when you do come for reimbursement for whatever you agree with GSA about, the committee will remember the $4.7 million and ask you what you did with it.

Mr. **Massey**. Okay. When we submit the current plan, we will have more detail.

Mr. **Lewis**. Thank you, Mr. Chairman.

Mr. **Stokes**. Mr. Torres.

Mr. **Torres**. Thank you, Mr. Chairman.

Mr. Massey, I am sorry I missed your statement, but I have been looking it over. You added at the top of page 3: "Additionally, these funds will augment our Small Business Innovative Research program, which helps small business pursue innovations which lead to new products and processes."

What is the amount of money earmarked that you are talking about there?

Mr. **Massey**. The legislation changed this year that requires us to increase the percentage of our budget that goes to SBIR. I think it would be three million dollars out of the $207 million.

Mr. **Torres**. Three million dollars?

Mr. **Massey**. Exactly.

Mr. **Torres**. You also indicate in your testimony here in the summary the need to support development and acquisition of major research instruments used for universities or university-based scientific and engineering research. Could you expand on or perhaps clarify that a little for me?

Mr. **Massey**. We have an Instrumentation and Facilities program that the committee has approved and funded over the past two years. The instrumentation part of it goes for large and expensive instruments that usually are shared by different groups: large electron microscopes, nuclear magnetic resonance devices. Instruments that cost between say $200,000 to a million dollars or more. That is this program.

Four point seven million dollars of the supplemental request is to augment that program because we had many more requests for the instrumentation in that category than we are able to fund at this level.

Mr. Torres. Is any of the instrumentation or are any of the facilities of an international nature? Are they all domestically based?

I know we are no longer a member of UNESCO, but do you cooperate with any of the international science-based organizations when it comes to instrumentation?

Mr. Massey. Most of these instruments would go to universities and the universities have to cost share and they would receive their funding mostly from their own resources or from industry.

I don't think there is a significant amount that would be cost-shared under international agreement. However, scientists who collaborate on projects from other countries, of course, will have access to these instruments when they work with U.S. scientists at universities.

Mr. Torres. Thank you.

I have no further questions, Mr. Chairman.

Mr. Stokes. Mr. Gallo.

Mr. Gallo. Thank you, Mr. Chairman.

I asked the other individual departments and agencies that came before us—and I have been a supporter of the programs that you have outlined for the most part. The question I have is, under existing budget law, the only way you can have a supplemental is if, in fact, there are offsets and the only way you can get away without having offsets is to have it classified as an emergency.

After looking at what you have proposed both in your opening remarks and also in your background information, what do you classify in here that represents the terminology of an emergency which in the past has meant floods, landslides, earthquakes? I would like to know how do you yourself justify these as emergencies? And how am I supposed to justify that?

Mr. Massey. I think the way we justify it is—let's take your example of earthquakes—we are not the kind of agency that comes in and cleans up after earthquakes or repairs bridges. Our program is to support research that could mitigate the effects of earthquakes. We have a research program to do that.

I see the justification for our request as one that we will support the creation of new discoveries to help the nation mitigate such problems in the future.

The investment in the strategic research areas underpins the President's desire to make American industry more competitive. Our curiosity-driven research areas, are part of the effort to develop the Nation's scientific-educational infrastructure so we can have the kind of educated citizenry in the workforce that allows us to compete.

Mr. Gallo. Isn't that something we would go through in the normal budget process? We all know that those are important areas you are talking about, however I am trying to justify in my own mind what makes this different than the budget process; where does the emergency exist?

I am having difficulty not necessarily with what you are proposing. I am not against what NSF is trying to do. It is just that I am not sure that what we are going through here is in a true sense of an emergency.

I thank you for your presentation.

Mr. Massey. Thank you, sir.

Mr. STOKES. Mr. Thornton.

Mr. THORNTON. Thank you, Mr. Chairman.

Dr. Massey, as you know, I have long supported the programs of the National Science Foundation. I want to compliment you on your presentation.

Mr. MASSEY. Thank you.

Mr. THORNTON. However, I do have a couple of questions which will reflect a concern and for which I will need reassurance.

Mr. MASSEY. Sure.

Mr. THORNTON. I heard the President say he wanted to freeze all Federal salaries for the next year. Does the $4.7 million for salaries and expenses break that freeze or if not—are you employing additional people? Is most of it expenses? What is the rationale for it?

Mr. MASSEY. It is not. First of all—we, of course, will abide by the salary freeze.

Mr. THORNTON. Yes.

Mr. MASSEY. That account might better be called operating expenses for the agency.

Mr. THORNTON. Operating expenses?

Mr. MASSEY. Yes. It is everything we use, other than the money we award in grants, to actually run the agency.

As I was saying earlier, in our appropriation this year for that account, we didn't receive enough money to operate the agency at the level we operated at last year. We already have in place a plan to try to adjust to that—a very difficult, tight plan. We might have been able to, except now things have been exacerbated and complicated by having to relocate.

So this year, the expenses we are going to have available to operate the foundation are just going to make it very difficult.

Mr. THORNTON. There was a significant cut from $135 million to $111 million for that request. That is probably part of it.

Mr. MASSEY. That is. To be fair, part of that 135 was 16 million for relocation. It was cut from 119, which was our request to operate at the level we needed to support our programs.

Mr. THORNTON. Let me express first my concern about what I believe to be the greatest emergency facing our science capacity in this country. That is that so many youngsters come to college inadequately prepared, not having the background in mathematics and science. Our colleges of engineering are now being taught by graduate students from other countries. Many foreign students are in the colleges of engineering because somehow we do not go into the graduate program in this country as much as they do.

That is probably the reason that in the past the committee and the Congress more than have increased the allocation for education and human resources from $479.5 to $487.5. Don't you consider that to be a pretty high priority to meet an emergency situation?

Mr. MASSEY. Oh, definitely. You will see—of course, when we present our entire budget for the 1994 request, we will go into more details about what we are doing in the area of education and human resource development.

Mr. THORNTON. I was concerned because there is nothing contained in this supplemental to further emphasize that very important question.

Mr. MASSEY. The reason for that is that in our 1993 request, as we developed our priorities for 1993, we were granted by Congress more than the request for that category. You know, we can always use more money; but at least in that area, the money for the plans we had developed was provided.

Our research areas, however, were not funded at the level of the request. So the strategy behind the supplemental request is to allow us to address those priorities that we were not able to address in the original appropration.

Mr. THORNTON. May I be comfortable with the thought that in your regular appropriations you will continue to recognize the importance of the education and human resources element?

Mr. MASSEY. Definitely. Not only that, but I think you will be very pleased to hear some of the things we have been able to accomplish already in the last three or four years by investments in these areas. We will talk about that.

Mr. THORNTON. I realize my questions are maybe getting out of bounds for this one issue, but I was deeply concerned when I saw this very important category did not receive a supplemental. But I accept your explanation.

Mr. MASSEY. Thank you.

Mr. THORNTON. I yield back, Mr. Chairman.

Mr. STOKES. Thank you.

Anything further?

Mr. LEWIS. Mr. Chairman, if I may make a point, not taking very much time, and it certainly is no reflection on the fine testimony of Dr. Massey. But I think somewhere here for the record we ought to have some open and frank discussion of what we are about.

We do have a normal supplemental process that is moving forward. You are very well aware of that. Our normal year moves on from there. The appropriations process does work and is in place.

This stimulus package was described as an economic emergency stimulus package. Our biggest problem with the whole package is when you use the handle "emergency," when the whole appropriations fall outside of the budget limitations process so it can become part of the debt. If you decide to borrow money, add to the debt, you can spend this money technically. That is in the face of the fact that in the last quarter all the data indicates that the economy is moving at a much more healthy pace than some of us might have hoped.

Unemployment in January fell to 7.1 percent from 7.3 percent in December. The peak of 7.7 in June of 1992, that peak was significantly lower than the 12.8 percent peak of the 1981–82 recession. New jobless benefit claims fell to a four-week average of 340,000 applications per week, the lowest reading since the recession began in 1990.

GDP is rising faster than expected at an annual rate of 3.5 percent. It was 3.8 percent during the last quarter. I have a whole list of items I probably will not provide for the record. But the point being that we really ought to know, all of the witnesses ought to have some sense for what this is about.

The administration's people have decided it would be good to show that this administration is in gear, rushing fast to do something. That something is to take credit for the growth that has already taken place in the economy so we are certain nobody else gets any credit for it.

Much of this, most of it could be handled in the normal appropriations process. All the balance could be handled in a supplemental that couldn't be handled by way of the normal process. This in no small part is a very, very classic production to show we are doing something.

I am proud of us.

No comment needed.

Mr. Stokes. Is there anything further?

If there is nothing further, Dr. Massey, let me on behalf of the subcommittee say to you how much we appreciate your appearance here today and your testimony that you have given and the answers you provided to the questions posed to you.

I understand you will shortly be leaving the agency, so we may not have another presentation from you before you depart.

I just want to say you have brought a great deal of distinction and honor to this Federal agency, and it is one that we are proud to have you serve in this capacity. It has been a honor to have you associated with this subcommittee. We wish you the very best as you move onward and upward and further in life under further and greater achievements.

Mr. Massey. Thank you very much, Mr. Chairman. My only regret is that I will not have the opportunity to work with you on a continuing basis.

Mr. Stokes. Thank you very much.

[Recess.]

Justification of Proposed Supplemental FY 1993 Appropriation for the National Science Foundation

The supplemental FY 1993 request for the National Science Foundation totals $206.8 million, distributed to the following appropriations: $197.4 million for Research and Related Activities, $4.7 million for Academic Research Facilities and Instrumentation, and $4.7 million for Salaries and Expenses. These funds will provide NSF with a unique opportunity to maintain the momentum for research investment that is critical to the long-term economic growth of the nation.

Research and Related Activities

The supplemental request for Research and Related Activities of $197.4 million will be used for research projects that contribute to the nation's productivity by generating new scientific and engineering knowledge. These funds represent an investment in the nation's future through support for the development of the next generation of scientists and engineers. This investment will enable individual researchers and small groups of investigators to carry out fundamental and strategic research.

In FY 1992 the National Science Foundation had $1 billion of unfunded proposals that were rated excellent by the science and engineering community. Thus, NSF has the immediate capacity to invest more funds in a broad range of important research areas and new technologies.

Of the $197.4 million requested, $112.2 million will be used to fully fund NSF's strategic research initiatives at the levels proposed in the FY 1993 Budget Request to Congress. These initiatives include: advanced manufacturing, global change research, materials research, biotechnology, and high performance computing and communications. As part of the emphasis on high performance computing, $19 million will be targeted for networking and computer applications that address problems in health care, education, manufacturing, and access to library information.

The remaining $85.2 million of the supplemental Research and Related Activities budget request will be used to augment NSF's core research activities. These core research activities by individual investigators and small groups of researchers represent a long-term investment in the nation's future.

The proposed supplement will restore funding for Research and Related Activities to roughly the level that was requested for FY 1993.

Academic Research Facilities and Instrumentation

The supplemental request for Academic Research Facilities and Instrumentation of $4.7 million will be used, on a cost-sharing basis, to support the development and acquisition of major research instruments needed for university-based scientific and engineering research. These funds will help enhance research productivity and improve the research environment for the nation's scientists and engineers.

Salaries and Expenses

The supplemental request will provide funds that support the development, management, and coordination of the National Science Foundation programs. In order to fully support the FY 1992 level of staffing and support services, Salaries and Expenses (S&E) funds in the amount of $115,700,000 are required in FY 1993. The increased costs of current services result primarily from the mandated government-wide 1993 pay raises, as well as from increased rent for currently occupied space. The requested funding is essential in order to maintain the Foundation's capability to effectively manage NSF programs.

National Science Foundation
FY 1993 Revised Current Plan
(Dollars in Millions)

	FY 1993 Request	FY 1993 Current Plan	FY 1993 Supplemental	Revised FY 1993 Plan
Biological Sciences	$320.63	$271.33	$20.16	$291.49
Computer and Information Science and Engineering	272.22	215.22	47.70	262.92
Engineering	312.52	261.10	35.77	296.87
Geosciences	472.38	401.88	43.78	445.66
Mathematical and Physical Sciences	725.96	619.94	40.55	660.49
Social, Behavioral and Economic Sciences	107.79	89.53	9.43	98.96
Total, Research and Related Activities	$2,211.50	$1,859.00	$197.40	$2,056.40
Education and Human Resources	479.50	487.50	--	487.50
Academic Research Facilities and Instrumentation	33.00	50.00	4.70	54.70
U.S. Antarctic Program	163.00	221.36	--	221.36
Critical Technologies Institute	1.00	1.00	--	1.00
Salaries and Expenses	136.00	111.00	4.70	115.70
Office of Inspector General	4.00	3.69	--	3.69
Total, National Science Foundation	$3,027.00	$2,733.55	$206.80	$2,940.35

NATIONAL SCIENCE FOUNDATION

Research and Related Activities

For an additional amount for "Research and related activities," $197,230,000: Provided, That the second proviso under this heading in Public Law 102-389 is deleted.

This supplemental request would provide funds that contribute to the Nation's productivity by generating new scientific and engineering knowledge, and contribute to the development of the next generation of scientists and engineers. In FY 1992, the National Science Foundation (NSF) had $1 billion of unfunded proposals that were rated excellent by the science and engineering community. Thus, it appears that NSF has the capacity to invest more funds in a broad range of important research areas, including strategic research in improving our understanding of the climate system, advanced supercomputers and digital computer networks, biotechnology, materials processing, advanced manufacturing, and math and science education. These funds should be focused on research conducted by single investigators and groups, not on major facilities or equipment. This proposal would restore NSF funding to roughly the level that was planned for in FY 1993.

This proposal also includes $19 million to build upon the High Performance Computing and Communications program, and to initiate projects among four Federal agencies (the National Aeronautics and Space Administration, the National Science Foundation, the National Institutes of Health, and the Department of Commerce) to develop applications that use advanced computers and communication networks. These application would be used to solve problems in health care, education, manufacturing, and access to libraries.

This proposal would result in increased obligations of $158 million in FY 1993 and would increase FY 1993 outlays by $88 million. An estimated 2,100 jobs would be generated by this proposal in FY 1993 and FY 1994.

NATIONAL SCIENCE FOUNDATION

Academic Research Facilities and Instrumentation

For an additional amount for "Academic research facilities and instrumentation," $4,696,000.

This supplemental request would provide funds that support the development and acquisition, on a cost-sharing basis, of major instruments needed in university-based scientific and engineering research.

This proposal would result in increased obligations of $3.7 million in FY 1993 and would increase FY 1993 outlays by $1.4 million. An estimated 60 jobs would be generated by this proposal in FY 1993 and FY 1994.

NATIONAL SCIENCE FOUNDATION

Salaries and Expenses

For an additional amount for "Salaries and expenses," $4,696,000.

This supplemental request would provide funds that support the development, management, and coordination of the National Science Foundation programs. This proposal would eliminate the payroll shortfall which has resulted from reductions by the Congress in FY 1993.

This proposal would result in increased obligations of $3.7 million in FY 1993 and would increase FY 1993 outlays by $3.7 million. Because of the FY 1993 payroll shortfall, no jobs are expected to be generated by this proposal. Without this supplemental, NSF will have to terminate current jobs.

TUESDAY, FEBRUARY 23, 1993.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

WITNESSES

DANIEL S. GOLDIN, ADMINISTRATOR, NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

LEE HOLCOMB, DIRECTOR, HIGH PERFORMANCE COMPUTING AND COMMUNICATIONS, OFFICE OF AERONAUTICS AND SPACE TECHNOLOGY

Mr. STOKES. The committee will come to order.

We are very pleased to welcome before the committee this afternoon Mr. Daniel S. Goldin, Administrator of NASA.

NASA is requesting a supplemental appropriation of $4,696,000 as part of the President's Economic Stimulus Program, with emphasis on a High Performance Computing and Communications program.

Mr. Administrator, we would be pleased to hear your statement at this time, in connection with this request, and, of course, we will include the full statement in the record. You may summarize or proceed any way that you would like.

Mr. GOLDIN. Let me just summarize rather than reading the whole statement. The high performance computing initiative is, I believe, one of the smaller line items in the NASA budget, but I believe it can have an enormous impact on NASA and the country. If you take a look at the high performance computing initiative, I view that as infrastructure just like a road, a bridge or an airport, but it is hidden, you can't see it.

The world has a $150-billion-a-year computer market and only $1.5 billion a year goes into supercomputers. It now costs close to $300 million to develop a supercomputer. Yet, the supercomputer from economic studies indicates that if it gets widespread into our industrial base, it could contribute hundreds of billions of dollars to the Gross National Product.

NASA, in doing its job, cannot help the aircraft industry to design advanced aircraft so that America can be more competitive than the competition, bring products to market sooner, without having computers for the kind of speeds we are talking about here. In fact, in my testimony, NASA believes we are going to have to be a thousand times faster than the goal of the high performance computing initiative we are talking about today. We are going to begin to take steps to get us there because we believe it has such enormous impact on our ability to be better with aircraft, to do Mission to Planet Earth, understand our environment, and to do our planetary studies.

We feel very strongly about that. If you take a look at what we had in our basic plan—and the Congress as part of the operating plan had asked us to make some cutbacks—we cut back on the lower-priority items in what we call the "grand challenges". We have taken a look at a number of some very difficult tasks such as how do you design the wing on a supersonic aircraft, how do you make it have less drag so you get more fuel efficiency, how do you fly that plane on a computer instead of a wind tunnel which is much faster, much cheaper, how do you perform the calculations in minutes instead of weeks? That is the type of thing we are looking at. We call that a "grand challenge".

Another "grand challenge" is how can we model the Earth's atmosphere so we can understand what is happening chemically to our atmosphere. The present computing speeds are incapable of doing it. We believe the high performance computing initiative, which will get us to one trillion operations per second, is going to be very helpful, but we also at NASA believe we are going to have to go a thousand trillion operations per second ultimately to do the things we have to do.

So we deeply believe in this to perform NASA's basic mission of aeronautics, Earth and space science and space research, but we also believe it will have an enormous impact on the American economy.

And in this package that we have, as I said, as part of the operating plan, we cut back on some of the lower-priority grand challenge issues we were working on, and with the President's $5 million request of $4.7 million stimulation package request, we are putting that into an outreach program to work within industry so that they can use the software tools we are developing for them to develop better products and to outreach into the schools so they can tap into our capabilities, especially K–12 and the universities, to help teachers enhance the way they can touch the children. And that is fundamentally where the money is going. That is the summary of what I have.

[The information follows:]

HOLD FOR RELEASE UNTIL
PRESENTED BY WITNESS
FEBRUARY 23, 1993

Statement of
Mr. Daniel S. Goldin
Administrator
National Aeronautics and Space Administration

before the
Subcommittee of VA, HUD, and Independent Agencies
Committee on Appropriations
United States House of Representatives

February 23, 1993

Mr. Chairman and Members of the Subcommittee:

It is a pleasure for me to appear before you today to discuss NASA's FY 1993 Supplemental Funding Request for the High Performance Computing and Communications (HPCC) Program. High-performance computing is vital to NASA's progress in science and engineering, and is essential to support all phases of NASA's programs from hypothesis formulation to analysis. While the HPCC program is not a major percentage of the NASA budget, it has a huge impact on our Agency's mission. One application of high-performance computing, computational flow analysis, was utilized in the redesign of the space shuttle main engine liquid oxygen post assembly. Computational structural analysis, another application of high-performance computing, was used to model and redesign the shuttle solid rocket booster (SRB) joint. In Earth and space sciences, supercomputers have enabled NASA to make significant strides in weather/climate simulation, in stellar/galactic evolution simulation, and solid earth modeling.

A major mission of NASA is to provide advanced technology and facilities to ensure U.S. leadership in aviation. The U.S. aeronautics industry contributed over $29 billion positive balance of trade in 1991, however, the health of this industry is threatened by declining market share. High-performance computing is critical to the future competitiveness of the U.S. aerospace industry. Rapid, accurate prediction of the resistance caused by air flowing over an airplane, or drag, is fundamental to aircraft design. Today's simulations do not accurately predict drag. High-performance computing will enable inexpensive, accurate, 15-minute simulations of aircraft drag. The benefits are superior aircraft design, reduced certification costs, improved reliability and most importantly, a reduction in design process time.

Another major mission of NASA is to expand our knowledge and understanding of scientific phenomena. The most striking example of a scientific challenge with significant implications for society is increasing our understanding of the climate and determining the extent, causes and consequences of global climate change. However our current capability to accurately model the Earth's environment is primitive. Supercomputers are essential to advance model resolution and sophistication. While today's models are just beginning to couple atmosphere and ocean models, advances in high-performance computing are necessary to accurately couple these models and to better understand the heating and cooling effects of clouds, aerosols and water vapor. Modeling biological and human-induced effects on the global environment will require even greater increases in supercomputing power.

I have met with NASA employees to assess our supercomputing needs with respect to the current HPCC Program goal of achieving sustained computational speeds of a trillion floating point operations per second by 1997. This team concluded that computational speeds 1000 times greater than the current HPCC Program goals are required in order to fully meet important aeronautics and space science goals. (Figure 1 and 2). I believe we must begin now to plant the seeds for the post-1997 generation of supercomputers.

The supercomputing industry represents only 1% of the $150 billion computer industry. Supercomputer manufacturers are finding it increasingly difficult to support the rising cost of developing the next generation of supercomputers, now approaching $300 million each. National investment in high-performance computing must be viewed in a larger framework of its total benefit to the U.S. economy. The effective use of supercomputing in industrial design and manufacturing could return as much as several hundred billion dollars to the U.S. economy. We can not afford to slow the pace of advancement and use of supercomputers. This Administration's attention to high-performance computing is a recognition of this vital technology.

With the supplemental $4.696 M in FY 1993, NASA plans to broaden the reach of the HPCC program in two major areas:

1. Selectively augment ongoing program areas that contribute toward a rapid start of a new thrust in technologies for a National Information Infrastructure.

NASA will proceed with full funding for the industrial consortium in aeronautics, restore full funding for software technology "grand challenge" teams in aeronautics and Earth and space science, proceed to acquire full capability testbed systems previously planned and proceed with the installation of all planned National Research and Education Network (NREN) high-speed (45 MB/s) connections. These funds will be directly applied to intramural efforts or will be implemented through existing contracts to enable a rapid start.

2. In anticipation of growing National interest in broadening the reach of the HPCC program to other high priority applications, selectively initiate early start-up efforts in education and industrial design.

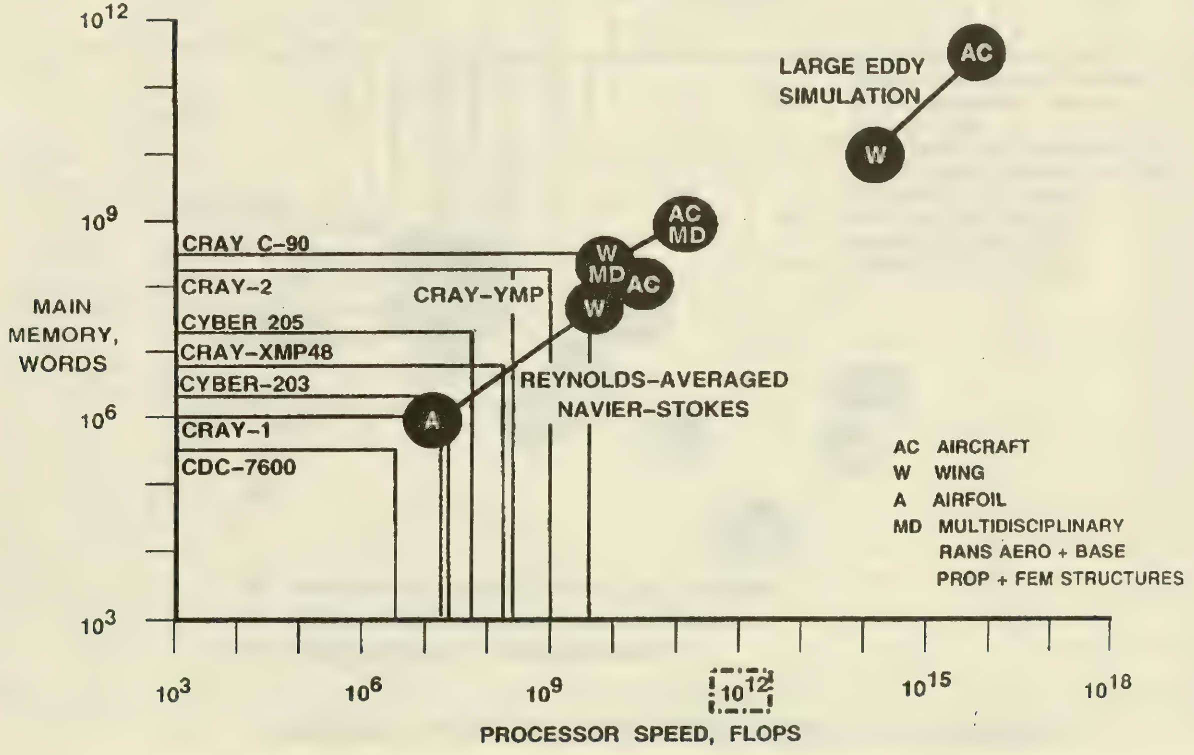
We propose to broaden HPCC participation into K-12 education. We will initiate five to eight pilot projects to develop digital aeronautics and space science educational materials for distribution over NREN. A number of educational materials based on remote-sensing data are under consideration. Initial plans call for pilot projects in Ohio, California, Maryland, Virginia, and Alabama. In addition we would establish programs in teacher training for utilization and evaluation of NASA educational products.

We propose to enhance industrial involvement in the NASA HPCC Program through initiation of new cooperative efforts in support of industrial design building on our aeronautics design expertise. Potential industrial challenges are semiconductor and spacecraft design.

These efforts should position the NASA HPCC Program to provide a solid foundation from which a National Infrastructure Initiative (NII), as proposed by President Clinton can emerge. These steps are responsive to the new thrusts of the Administration in the high performance computing area.

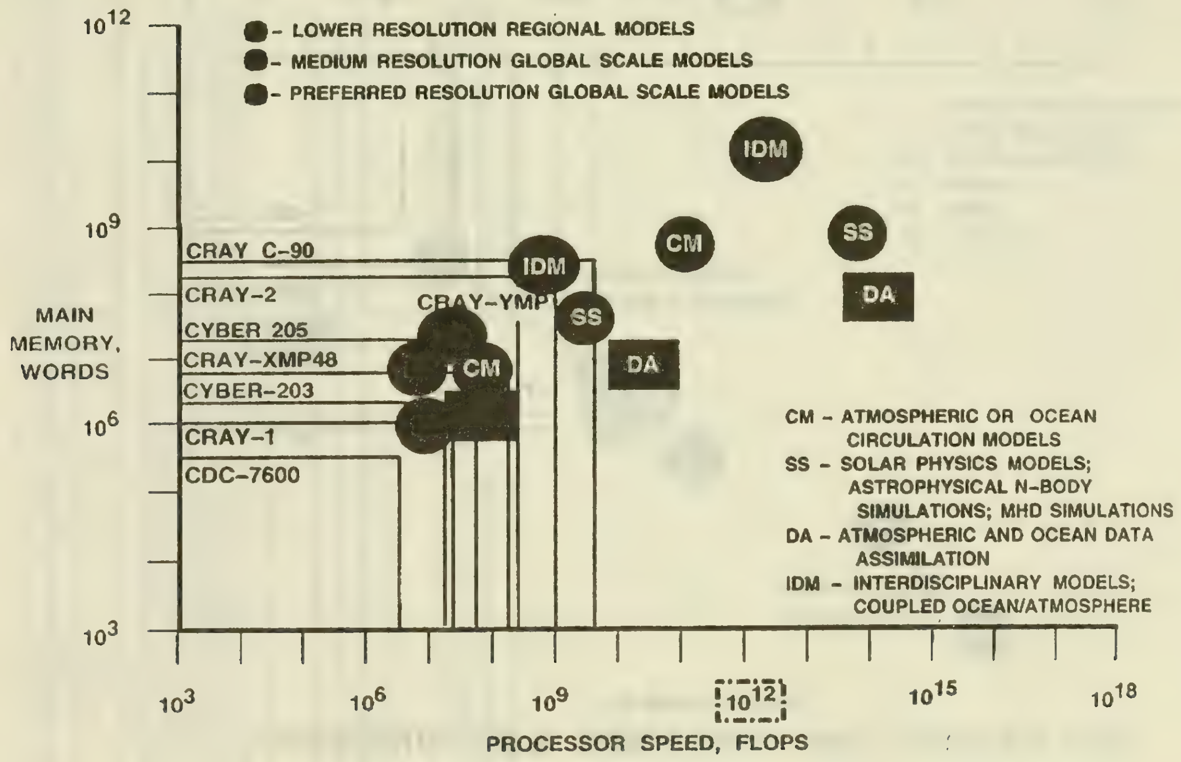
AERONAUTICS MODELING AND SIMULATION

15–MINUTE RUNS



EARTH AND SPACE SCIENCES MODELING

2 HOUR RUNS



Mr. Stokes. Thank you very much.

Mr. Administrator, the conference on the fiscal year 1993 VA–HUD, Independent Agencies appropriation bill reduced the 1993 funding for high performance computing by $5 million. Is this request made essentially to restore those funds?

Mr. Goldin. No, sir. As I indicated, we prioritized all the tasks we had and we took the lowest-priority analytical tasks we had to do for NASA and cut back on them, and we put back in funding for working with an industrial consortium of about eight or 10 companies including Boeing, McDonnell Douglas, United Technologies, General Electric, TRW and Motorola (I can't remember all the companies). So that they can have more of an input into the requirements process and they can work with us in using these tools with their experimental data so we can help have that exchange and have cooperative research and development. That is part of the outreach. The other part of the funding relates to the kind of activity with the educational systems and using our high-speed computing network to allow access of computers by schools, to allow schools to get access to Earth resources data so you can use LANDSAT images to teach geography in the schools, and other uses.

Mr. Stokes. Are schools, considering the status of schools throughout the United States, equipped and capable of being able to tie into high-performance computers?

Mr. Goldin. This particular initiative we have, we are planning five to eight pilot programs in areas where we have NASA centers, where it will be user friendly to the schools. We are doing it at Sunnyvale, California, where we have NASA Ames Research Center; the Jet Propulsion Laboratory in Pasadena; Langley Research Center in Virginia; Marshall Space Flight Center in Huntsville, Alabama; and there is a fifth location. Lewis Research Center in Cleveland, Ohio. These centers have been working with a number of schools, and we will make this part of a pilot program to experiment, how do we have this outreach, what are the techniques that we have, how can we be more effective in transmitting data. Now, the network that we have set up for NASA to go in between the NASA centers, operates at 45 megabytes per second, a high-data rate. The interaction with the institutions will be a lower data rate, 2 megabytes per second, because they don't need that high fidelity computing. You still need that rate to transmit video images, which is essential in the teaching process.

Mr. Stokes. What was the total 1993 request for high performance computing?

Mr. Goldin. I will have to check on that number.

Mr. Holcomb. The specific number was $30 million.

Mr. Stokes. The HPCC program is funded in a number of agencies, including NSF, and coordinated by OSTP. How does NASA fit into this cross-agency funding?

Mr. Goldin. NASA's major function is in the software development, and in the application of our very specific problems to these new tools we have. DARPA is the lead agency for developing the hardware, the computers utilized in this activity, and NASA is one of the lead agencies in developing the software for these activities.

Let me explain to you the challenge that we have. Computers for a long time had been called central-processing units, a single computer that could take a specific problem. And all the commercially available software was set up to use that computer. But the computer speeds kept getting faster and faster and you began to get limited in terms of what you could do in one machine. So the nation started moving in the direction of commercial industry in terms of using parallel computers, so they stack one computer next to another, and now we have hundreds of computers connected together.

The challenge for NASA is to be able to break up physical problems into individual pieces so these computers could operate in parallel, process the data, but not degrade the computing speed because you have to have this communication from computer to computer.

Right now our operating efficiency is about 10 to 15 percent, because we have a lot of overhead in the software. So even though a machine would operate at 100 megabytes per second, because of the software inefficiencies, we are in effect at 15 megabytes per second. Our objective at NASA is to get the efficiency up into the range of 70 to 85 percent so we could take advantage of the parallel processing. That is the challenge for NASA. That I believe is where NASA will make its major contribution, DARPA will make its major contribution in the development of the machines.

NASA and the Department of Energy are working together to put fiber optic networks across the country along with the National Science Foundation so that institutions across the country, government institutions and educational institutions, can be able to tap into this tremendous capability.

Let me also tell you that even though this is an experimental program, because NASA has been participating in what is called the National Research and Education Network (NREN), this computer network that hooks all our computers together. As part of our red and blue team activity last year, we found we could save $34 million over the planning period by buying fewer computers because we can now electronically connect computers, and each of our centers didn't have to go out and procure computers separately. So it is going to change the whole way we do business, and that is the first little savings that we are getting. And $34 million is a very considerable savings, and it came out of the employees as they took a look at this.

Mr. STOKES. Thank you.

Mr. Lewis?

Mr. LEWIS. Thank you, Mr. Chairman.

I presume that as you develop this networking, that there will be some coordination with existing centers, the supercomputer centers at NSF; is that right?

Mr. GOLDIN. Without question.

Mr. LEWIS. Is it correct to presume that initiating that network is going to have some annual operating costs?

Mr. GOLDIN. We are coordinating. In fact, I think Dr. Holcomb could speak to it in more detail. It is NASA's belief that this is one of the best coordinated efforts that we have seen where the agencies are all working together, and in fact we are trying not to duplicate what each agency is doing, but we are trying to do complementary activities. The direct answer is yes, there will be network operating costs.

Mr. LEWIS. Have you calculated those yet?

Mr. HOLCOMB. I can't speak for all of the costs because NSF is operating in the basic background—it is a network of networks, and we are basically building one network. So even though each agency is contributing separate funding, it works as one unit. The overall backbone is run by NSF. Our costs, our part is about $3 million a year.

Mr. GOLDIN. In fact, I will say to you right off the bat, we have already saved $34 million. So in 10 years we have paid for the operating costs with the savings we had just by having that network there. There was a tendency by each of our centers, everyone wanted to have their own big supercomputer. Having this network, if you will, what we are going to pay for in operating costs, we are going to more than save by not having to buy as many computers because you can time-share computers. We think that gives us a tremendous advantage.

Mr. HOLCOMB. I might also add that because of diverse machines that NSF is buying and DOE, we are sharing through HPCC assets at other sites. So NSF is letting us use some of their resources and vice versa.

Mr. LEWIS. I presume a lot of this is because of a change in technology in the hardware itself?

Mr. GOLDIN. Yes.

Mr. LEWIS. I am interested in the 40 jobs you say will be developed as a result of this. How many of those will be specifically working in fields that relate to education?

And I want to follow up on the Chairman's comment as well about providing materials, space science materials, that will be of interest and usable by local schools. How many of those 40 personnel will be actually used for those purposes?

Mr. HOLCOMB. I would say probably 10 to 15 people involved in this program, certainly in education, possibly more, on a full-time basis.

Mr. GOLDIN. Why don't we get a specific number back to you. We will get back to you.

[See pages 1071A and 1071B.]

Mr. LEWIS. You mentioned that those specific school districts will be in close proximity to the existing NASA centers, or a number of them.

Mr. GOLDIN. It doesn't have to be.

Mr. LEWIS. The lines, the electricity does connect regardless.

Mr. GOLDIN. I guess what I was saying is, we are going to try to start pilot projects where we are close by so it is user friendly, so if someone in the school has a problem, they call up and say, Hello, we can't operate our computer, we send somebody over in a car. I got nervous that if we got too ambitious too soon, we would have people on planes and so forth. But as soon as we work out the bugs, we will be able to extend across the country.

Mr. STOKES. Mr. Torres?

Mr. TORRES. Thank you, Mr. Chairman.

Mr. Goldin, I appreciate your comments. If I might expand on what Mr. Lewis has been talking about, in your supplemental request you state NASA will initiate five to eight pilot projects dealing with the digital aeronautics and space science education materials for distribution over your NREN system.

You indicated that your initial plan calls for the pilot projects to be located in several States, and you already cited California, our State, is one. You also specifically cite two areas, Sunnyvale and Pasadena.

Mr. GOLDIN. Yes.

Mr. TORRES. Correct me, Mr. Lewis, were you asking whether in fact those were the specific areas where the projects would be located, or would they get out to Redlands or San Bernardino?

Mr. LEWIS. You know me too well, Senor Torres. I was alluding to that, and he suggested the pilot projects would probably be user friendly if they were closer by.

Mr. GOLDIN. Within driving range of a car, 50 or 60 miles.

Mr. TORRES. I was going to ask you, what radius are you talking about? I serve an area very near Pasadena, but it is also an area that has been traditionally underserved by many of these institutions.

I want to make sure that if and when you are initiating the project that the high schools, the schools in my area, the underserved schools, will have an opportunity to take advantage of these opportunities.

Mr. GOLDIN. We will take a look at a map and if it is within driving range, we will certainly consider schools in your district and Congressman Lewis' district.

Mr. TORRES. Mr. Lewis is a little further away from Pasadena than I am. I am willing to share with him.

Mr. GOLDIN. Again, the basic intent was to get a pilot program to work out the bugs and then expand out.

Mr. TORRES. Thank you.

Mr. STOKES. Anything further?

Mr. TORRES. No, that is all I have, Mr. Chairman.

Thank you very much.

Mr. STOKES. Anything further, Mr. Lewis?

Mr. LEWIS. That is it, Mr. Chairman. Thank you.

Mr. STOKES. Mr. Administrator, you have done a good job. That concludes our questions. We appreciate your appearance here this afternoon.

Mr. GOLDIN. Thank you very much for your time.

Mr. LEWIS. Our next meeting may be much more extensive.

Mr. STOKES. We have got another hearing at 5:00. We will recess.

[Recess.]

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Research and Development

For an additional amount for "Research and development," $4,696,000:

This supplemental request would provide funds that contribute to the Nation's industrial competitiveness and research capabilities. Federal programs, such as the High Performance Computing and Communications program, have played a key role in maintaining U.S. leadership in high performance computing. This proposal would build upon this program and initiate projects among four Federal agencies (the National Aeronautics and Space Administration, the National Science Foundation, the National Institutes of Health, and the Department of Commerce) to develop applications that use advanced computers and communication networks. These application would be used to solve problems in health care, education, manufacturing, and access to libraries.

This proposal would result in increased obligations of $3.8 million in FY 1993 and would increase FY 1993 outlays by $2.8 million. An estimated 40 jobs would be generated by this proposal in FY 1993.

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001

The Honorable Louis Stokes
Chairman
Subcommittee on VA-HUD-
Independent Agencies
Committee on Appropriations
House of Representatives
Washington, DC 20515

FEB 26 1993

Dear Mr. Chairman:

I am pleased to respond to two questions your Subcommittee raised during the hearings on NASA's FY 1993 Supplemental Funding Request for the High Performance Computing and Communications (HPCC) Program.

1. **How many full-time professionals will be employed in the education outreach component of the NASA FY 1993 Supplemental Request?**

   The proposed education pilot projects would employ 45-50 professionals (educators, curriculum developers, and computational scientists) on a part-time basis, developing educational materials and training educators. This is equivalent to 12 education professionals on a full-time basis.

2. **Could the proposed Jet Propulsion Laboratory pilot education program include schools in Congressmen Esteban Edward Torres and Jerry Lewis' Districts?**

   We are planning for the participation of educators and students from the Districts of both Congressmen Torres and Lewis. The Jet Propulsion Laboratory (JPL) education office has targeted schools in Congressman Torres' District, i.e., Griffith Junior High School, and possibly many others. Several schools in Congressman Lewis' District have been active participants in prior JPL educational programs, including Cope, Clement and Moore

Junior High Schools and Redlands Senior High School. The success of these pilot projects depends on the identification of motivated educators who are willing to participate in development, training, and evaluation of educational materials. We believe we can identify appropriate participants and will keep you apprised of their progress.

We appreciate the support of your Subcommittee for this FY 1993 Supplemental Request and welcome any assistance your Subcommittee wishes to offer to make this proposed HPCC outreach program a success.

Sincerely,

Daniel S. Goldin
Administrator

cc:
The Honorable Esteban Edward Torres
The Honorable Jerry Lewis

TUESDAY, FEBRUARY 23, 1993.

COMMISSION ON NATIONAL AND COMMUNITY SERVICE

WITNESSES

PETER B. EDELMAN, CONSULTANT TO THE SECRETARY, DEPARTMENT OF HEALTH AND HUMAN SERVICES

CATHERINE MILTON, EXECUTIVE DIRECTOR, COMMISSION ON NATIONAL AND COMMUNITY SERVICE

JACK LEW, SPECIAL ASSISTANT TO THE PRESIDENT AND GENERAL COUNSEL, OFFICE OF NATIONAL SERVICE

MAJOR ROBERT GORDON, III, WHITE HOUSE FELLOW AND DIRECTOR OF SPECIAL OPERATIONS, OFFICE OF NATIONAL SERVICE

TERRY RUSSELL, GENERAL COUNSEL, COMMISSION ON NATIONAL AND COMMUNITY SERVICE

DICK STAUFENBERGER, DEPUTY DIRECTOR, COMMISSION ON NATIONAL AND COMMUNITY SERVICE

Mr. STOKES. The committee will come to order.

We are pleased to have before the subcommittee this afternoon Mr. Peter Edelman, consultant to the Secretary of Health and Human Services, and Catherine Milton, Executive Director of the Commission on National and Community Service.

We are pleased to have both of you before our subcommittee.

The administration requests a $15 million increase to the appropriated level of $75.5 million in fiscal year 1993.

Mr. Edelman, we are pleased to have you to make this presentation to our subcommittee. Please feel free to proceed in any way you would like.

Mr. EDELMAN. Thank you, Mr. Chairman. I appreciate the opportunity to testify.

In addition to Ms. Milton, I am accompanied by Jack Lew, Special Assistant to the President and General Counsel, Office of National Service, Major Robert Gordon, White House Fellow, Dick Staufenberger and Terry Russell from the Commission on National and Community Service.

I think this is the first time the Clinton administration has come to the Congress to ask for specific action in relation to the National Service ideas that the President has spoken about so strongly. So this is for me personally and I think for us kind of an important symbolic and real occasion.

We are asking, as you know, an additional appropriation of $15 million in funding, which would go to the Commission that Catherine Milton is the Executive Director of, for our Summer of Service, to create some possibilities for some thousands of young people to participate on projects that would address important national concerns.

Service is something that we have all learned is critically important in changing lives forever. It comes on the battlefield through the military, through being in tiny villages across the world in the Peace Corps, and through work in all parts of our Nation. And it is particularly important for our young people.

So this Summer of Service that we are proposing is going to be targeted at reaching participants between the ages of 17 and 23.

We are going to start the summer with an intensive leadership training program for the participants and their service, the actual activities, those activities will be highly targeted so that we leave behind very clear benefits from the Summer of Service.

After considerable consideration and discussion, we have decided to propose to dedicate the Summer of Service to addressing the unique needs of children at risk. And that is a rubric within which we think a great deal can be accomplished that leaves behind tangible benefits.

As I have indicated in the prepared testimony, these might be activities to work on lead paint hazards, testing in urban neighborhoods or helping kids learn to read, helping to get children inoculated. There really could be all kinds of different ways in which the proposals take us, within the general rubric of children at risk.

It is really important as a stimulus investment because it is an investment in getting tangible community benefits, getting young people invested in leadership training so that they in turn can guide thousands of their peers in the future to service opportunities, and incentive funding for new service models that we think will come along.

We rely on existing statutory authority for this proposal as granted to the Commission on National and Community Service under the National and Community Service Act of 1990. The Commission will administer the Summer of Service program because the Commission has now had extensive experience in working with States, institutions of higher education, Native American tribes, and local organizations.

Last year the Commission made grants totaling $63 million. And there will be a partial match by the institutions participating in the Summer of Service program.

In addition, the Summer of Service itself, the proposal we are making, will support expanded activities in a number of successful service programs, and that includes incentive funding to encourage summer youth corps programs with a proven track record to increase the number of funded positions they will have this summer; funding for a service training program for elementary and secondary school teachers to enhance service education in our primary and secondary schools; and a branch of the ACTION agency to fund a number of additional summer associate positions this year.

So all in all, the $15 million is going to create, we estimate, positions for 4,400 participants, and that would work out to an average program cost per participant of $3,409.

The President, as you know, made a very eloquent statement in his inaugural address on this, calling on this "simple, but powerful truth." He said, "We need each other and we must care for one another." So he really called on us to dedicate ourselves to the very idea of America and called on us really to pursue this notion of service. So we are here pursuant to that today.

I thank you for the opportunity to testify and would be pleased to answer your questions.

[The information follows:]

TESTIMONY OF

Peter B. Edelman

Consultant to the Secretary
Department of Health and Human Services

BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON HUD AND INDEPENDENT AGENCIES

February 23, 1993

Mr. Chairman and members of the Subcommittee:

I appreciate this opportunity to testify on the national service component of the President's economic stimulus plan. The Administration is requesting additional appropriations of $15 million in funding for the Commission on National and Community Service for our Summer of Service, creating opportunities for thousands of participants and demonstrating the potential of national service to address critical national concerns.

Each American generation has learned that making a difference through service changes lives forever. Whether tested on the battlefield while in the military, or in tiny villages while in the Peace Corps, service participants are prepared to make future contributions to our nation and our economic well being.

This is especially true for young people in their late teens and early twenties: prepared by their initial education and early experiences -- but without the full panoply of adult responsibilities -- they have the most to give and to gain from formative new experiences. Consequently, the summer of service will be targeted at reaching participants between the ages of seventeen and twenty three.

Summer of Service will begin and end with an intensive leadership training program, but at its core, will be highly targeted to leave behind clear benefits.

Summer of Service will be dedicated to addressing the unique needs of children at risk, and will make a tangible difference in communities which participate in the program. If a youth corps tests an urban neighborhood to identify lead paint hazards in Baltimore; if a team of young people helps second graders in South Boston to learn to read; if a group of students helps inoculate all of the children in the Crenshaw district of Los Angeles, those areas will have an appreciably greater chance of helping themselves with new energy and purpose.

President Clinton envisions national service as an abiding ethic, not merely a program. As you know, the Administration will soon propose a major new initiative to implement this vision. My purpose today is to describe what can be done this very summer, with limited and highly-targeted resources, to employ young people, improve our country and inaugurate the national service initiative.

This proposal integrates several elements to leverage this stimulus investment:

(1) an intensive summer of service with tangible community benefits and a program to help participants find opportunities to pursue a year of service;

(2) an investment in leadership training, so this summer's participants can guide thousands of their peers to service opportunities; and

(3) incentive funding for new service models developed by summer participants.

Summer of Service relies on the existing statutory authority granted to the Commission on National and Community Service under the National and Community Service Act of 1990. The Summer of Service program will be administered by the Commission, which since its creation has worked with states, institutions of higher education, Native American tribes, and local organizations. Last year the Commission awarded grants totalling $63 million.

The $15 million requested will be partially matched by the institutions participating in the Summer of Service Program.

In addition to the program described above, the funding requested will support expanded activities this summer in several successful service programs:

-- incentive funding to encourage summer youth corps programs with a proven track record of success to increase the number of funded positions this summer;

-- funding for a service training program for elementary and secondary school teachers to enhance service education in our primary and secondary schools;

-- a grant to ACTION to fund additional VISTA summer associate positions this year.

Overall, the Summer of Service initiative will create positions for 4,400 participants, at a total cost of $15 million. The average cost of the program per participant is $3,409.

I appreciate the opportunity to have appeared before you today, and would close by quoting a portion of the President's Inaugural address:

> "In serving, we recognize a simple, but powerful truth. We need each other, and we must care for one another. Today, we do more than celebrate America. We rededicate ourselves to the very idea of America, an idea born in revolution and renewed through two centuries of challenge; an idea tempered by the knowledge that, but for fate, we, the fortunate, and the unfortunate, might have been each other; an idea ennobled by the faith that our nation can summon from its myriad diversity the deepest measure of unity; an idea infused with the conviction that America's long, heroic journey must go forever upward."

Thank you. I will be pleased to respond to any questions which you have at this time.

PETER B. EDELMAN

Peter B. Edelman is a consultant to the Secretary of Health and Human Services and is working extensively on the development of the Clinton Administraton national service initiative.

Peter Edelman is Professor of Law at Georgetown University Law Center where he teaches constitutional law and directs a family poverty clinic, and was Associate Dean from 1989 to 1992. He was Director of the New York State Division for Youth from 1975 to 1979 and Vice President of the University of Massachusetts from 1971 to 1975. Professor Edelman served as Legislative Assistant to Senator Robert F. Kennedy from 1965 to 1968, was Issues Director for Senator Edward M. Kennedy's Presidential campaign in 1980, and was Law Clerk to Justice Arthur J. Goldberg on the Supreme Court of the United States in 1962-63. He is the author of numerous articles on poverty, constitutional law, and issues relating to children and youth, was the recipient of a U.S.-Japan Leadership Program Fellowship in 1985, and was the J. Skelly Wright Memorial Fellow at the Yale Law School for the spring of 1991. Professor Edelman is board chair of the Center for Community Change and of the Fair Employment Council of Greater Washington, co-chair of Americans for Peace Now, and a member of the National Governing Board of Common Cause and the board of the Foundation for Child Development. He is a magna cum laude graduate of both Harvard College and Harvard Law School.

BIOGRAPHY OF CATHERINE MILTON

Catherine Milton is Executive Director of the Commission on National and Community Service, an independent Federal agency established by Congress in 1990 to expand and strengthen community service efforts by citizens. The Commission is governed by a 21-member bipartisan Board, appointed by the President and confirmed by the Senate. In fiscal year 1992, the Commission made grants of approximately $70 million to states, institutions of higher education, Indian Tribes, and local communities.

Prior to this position, Ms. Milton was founder and Director of the Haas Center for Public Service at Stanford University in California. She was also Special Assistant to the President of Stanford and Lecturer in Public Policy. The Haas Center places more than 2,000 students a year in volunteer roles in nonprofit and government agencies locally, nationally, and internationally. Seventy percent of Stanford undergraduates now perform some type of community service during the academic year.

Ms. Milton was one of the organizers of Campus Compact, the national consortium of university presidents committed to the promotion of public service. She was a founding Board member of Youth Service California, a collaboration of nonprofit and state agencies that developed plans for increased volunteerism in California. She was also chair of the Independent Sector's "Strive for Five" Youth Service Task Force in the San Francisco Bay area.

Ms. Milton began her career as a reporter for the Boston Globe. Later she was Assistant Director for the Police Foundation, where she was instrumental in bringing about changes in policing, including opening up police departments to women and minorities; spent four years during the Carter Administration with the Treasury Department's Law Enforcement and Operations Division, where she was a key staff member on gun control and alcohol regulatory issues; was on the staff of the Urban Coalition, as well as the American Bar Association, where she established and directed the Center for Female Offenders. She was a staff member of the U.S. Senate Special Committee on Aging, chaired by the late Senator John Heinz, where she wrote and successfully guided into law two major pieces of legislation assisting victims of crime. She served as a member of the U.S. Attorney General's Task Force on Family Violence and played a key role in implementing the recommendations, including developing curriculum for the National Judicial College.

Ms. Milton has received several national awards for her service work, including one from the Campus Outreach Opportunity League, the University of Massachusetts, and several Bay area community organizations. She received the highest award from Stanford University recognizing her outstanding contributions to undergraduate education. She was awarded a three-year national Kellogg Fellowship and also received an honorary doctorate from Mount Holyoke College.

She has written the following books and publications: Little Sister and the Law, American Bar Association, 1977 (Co Author). Police Use of Deadly Force, Police Foundation, 1977 (Co-Author). Women in Policing: A Manual for Implementation, Police Foundation, 1973 (Co-Author). Women in Policing, Police Foundation, 1972 (Author). Pictorial History of the American Negro, Hammond/Year Publisher, 1965: reprinted 1969 as History of Black Americans (Co-Author).

Ms. Milton is married to Tom McBride and is the mother of two sons.

Mr. STOKES. Thank you very much, Mr. Edelman.

The National Service Leadership Centers, which you describe, will focus on homelessness, the environment, disadvantaged youth, and childhood inoculations. How will each of these four initiatives interact with other Federal programs addressing housing, the environment, youth and health?

Mr. EDELMAN. The four areas you mention, Mr. Chairman, are examples, it seems to me, of areas in which work takes place—of course, with the environment it is much broader, but where you have interaction between questions involving children at risk and other kinds of program concerns and policy aims that we have as a government and as a people.

So what we would envision is that applicants would come in as partnerships between institutions of higher education, colleges, community colleges, and the like, and community-based organizations, nonprofit organizations. With proposals to involve quite a large number of people, we are talking about something like four to 10 sets of activities around the country under this initiative in the Summer of Service.

Each one of these would be large enough to make a visible difference. So they might come into the Commission with a proposal that they would do something with homeless children, taking the list that you mentioned. Or lead-paint poisoning is something I referred to in the prepared testimony, both a health and the environmental concern. Or working with kids on a summer of learning, perhaps, connected with the summer feeding program.

In other words, what you would get is an interaction between issues, programs, agencies that are working on the kinds of things that you mentioned, and the proposal that gets made to the Commission to work on these things.

The proposers may or may not have Federal money in one of these other areas. There is no necessary contemplation or requirement that they do that. Sometimes they would. There might be a synergism that comes from that. But it would be an interaction between a substantive area, people working with a track record in some area, and the notion of service we are talking about.

Mr. STOKES. I think I understand precisely what these young people would be doing. But I think probably a logical question that emanates is, what actually distinguishes the work that these four centers would do from, say, ACTION, Peace Corps, or the Summer Jobs funded by the Department of Labor?

Mr. EDELMAN. Well, of course, Peace Corps is young people working abroad; so I really suppose the question would be more the relation between this—or the distinction between this and ACTION and the Summer Jobs program. We are talking here about a kind of a down payment.

And by the way, you mentioned four, I think. We are saying four on up to 10, because it kind of depends on the shape of the proposals that come in. But the notion here is that you are going to have—from the thematic aspect of this, you are going to have a visibility and kind of a payoff in big chunks that you don't necessarily get from ACTION and the Summer Jobs program.

There is a major leadership training program here. This will be highly competitive in terms of the young people involved. We really want to attract young people from around the country to participate in this. It will be highly diverse. Some young people will be in college—some who are finished, some who are on the way, maybe not headed for college—but to get a real mix of people in this, which is different from both the ACTION and the Summer Jobs program, and people coming out of this, we would hope, would have a real multiplier effect in terms of taking it back to their communities, taking it back to their colleges, taking it on with whatever further service activity that they are inspired to do as a result of this.

So it is different from the VISTA program in that it is not the kind of individualized service you would have, say, in the VISTA program. These are group projects. It is different from the Summer Jobs program in that it is a mix of ages. Again it is a group project, and all of it contemplates a kind of an overture into the larger National Service proposal that the President will be making.

Mr. STOKES. In the justification, it states, "leaders are trained to catalyze the next wave of National Service programs." Tell us what you mean by that statement.

Mr. EDELMAN. I think we mean two things, Mr. Chairman.

One is that, specifically, there is a proposal that a little less than half a million dollars for the funds would go for what we are calling SEA changes.

We are hoping, and we are quite confident, really, that in terms of the visibility that this will have, that very bright, committed young people will come forward to participate in this. Some of those will be in a position to go on and do something else right away. Some of these are going to be people who have just extra special potential.

There is no magic number, but at least around 25 will make it possible for them to be entrepreneurs of some possibly new programs or new projects of existing programs, really play a major role.

So that is one piece—being a catalyst. The other piece is, I think, all these young people are really particularly likely to be involved in aspects of the National Service program as it develops.

So I would see the whole thing being a kind of a catalyst, the whole thing resulting in a very high proportion of follow-up of these young people being involved as further leaders in these programs.

Ms. MILTON. We also did include some funds to help place the young people at the end of the summer for those who wanted to go on into full-time service, to be able to do so through those programs that already exist, as well as to be available when new programs are launched for National Service.

Mr. EDELMAN. And you have seen some examples in your work on the Commission of some of the incredible things that young people can do as entrepreneurs in getting programs started.

Ms. MILTON. We have all sorts of examples from going off to start programs like Teach for America to working on minority recruitment.

I have a person in San Jose working for the mayor to attract young people who might not ever think of going to college and to get them into college. So there are literally dozens of examples of young people who have been entrepreneurial.

Mr. STOKES. Tell me, what is the relationship between this request and the President's National Service program proposed for fiscal year 1994?

Mr. EDELMAN. The relationship is essentially, in some respects, not determined.

That is to say that the President's National Service program is still under discussion in terms of its specific details.

In another way, the relationship is kind of the overture. This is the opening public statement to the country that says this is important, this is visible, we want to get people all over the country interested, involved in service, in the specific proposal the President is going to make, and, in fact, in service generally. So it is kind of a precursor and start-up.

In terms of the specific structure, however, what we are proposing this summer is just for this summer. And the kind of application process through the Commission is not necessarily in precise detail what will be involved in the larger National Service proposal.

The kinds of activities, the kinds of projects, are similar, although I expect that the President's proposal wouldn't, for the larger program, necessarily concentrate only on children at risk, but might be broader. He has talked about teachers, he has talked about people involved in public safety, for example, other areas beyond what we are doing this summer.

Ms. MILTON. Another important aspect is training, because a lot of the work will be done in terms of training and will be very valid for the larger picture for National Service.

Mr. STOKES. How will you pick the location for these centers?

Mr. EDELMAN. I might turn to Catherine on that.

Let me begin by saying we envision a competitive process, and the Commission has, now, a track record of awarding grants on a competitive basis and has done a very good job. So that the locations would—that would be obviously a commitment to having a diverse group from around the country, rural as well as urban. And diversity in the age and backgrounds of the participants—you didn't really ask about that—but I think that is an important part of it.

So basically the answer is a competitive process.

Mr. STOKES. In terms of the competitive process, do you have certain, precise criteria?

Ms. MILTON. Yes. And we will be using the criteria that the Commission has already developed and has experience with. And we will be using peer reviewers. And the Board of Directors of the Commission would be making the final decisions.

Mr. STOKES. Would all the centers be located in distressed areas?

Mr. EDELMAN. I would answer that in this way: That the question of children at risk seems to me, and to us, more importantly, to have a fairly broad definition.

Obviously, it includes "at risk" in terms of poverty, in terms of economics, in terms of dealing with questions of history of discrimination and so on. But children are at risk for a variety of reasons. They can have health problems. They can have problems of disability. And in terms of any particular city in which a project is located, it kind of depends on the nature of the project, how it is configured, physically.

So location, I would say that there is certainly going to be an emphasis on serving children who are in areas where there is distress. But I wouldn't say exclusively.

Ms. MILTON. I might add that I think the Commission is prepared to work with those areas that are particularly distressed to help them develop proposals. Since the process is competitive, in the end it will depend on the quality of the themes present, but we are committed to offering technical assistance.

Mr. STOKES. You mentioned discrimination. Will we have ethnic targets?

Mr. EDELMAN. I wouldn't say so much targets, Mr. Chairman, as a complete commitment to diversity of participation so that we are talking about African-American children, we are talking about Hispanic children, Asian Americans, we are talking about children of all backgrounds being served, and we are talking about participants of all backgrounds; some, as I said before, who maybe have finished college in terms of the age range, some who are on their way through, some who are on their way in, some who aren't going to college and might be going on to get some—either finish high school, get a high school equivalency, get some other kind of training.

One of the major aims in the President's thinking about National Service is to have young people of different backgrounds working alongside of each other.

Mr. STOKES. How will you ensure that grant recipients are sufficiently prepared to operate each center?

Mr. EDELMAN. Again, I think I might turn to Catherine, because the Commission has long experience in this.

Ms. MILTON. The first answer to that is making sure, when we select applicants, that they have a strong track record. The program has to be put together in such a short time schedule that we will be looking to programs that have had some experience with either community service or running programs dealing with large numbers of young people. So that would certainly be the first.

Second, the training is a very important element. And the way that we are envisioning training—not only training participants but also project directors and frontline supervisors as an opportunity to develop stronger infrastructure. The Commission, the last year's work that we have done, has included that.

The training of the infrastructure to run service programs is one of the greatest needs. So we look at this summer program as an opportunity to do that and to really bring quality up around the country.

Mr. EDELMAN. I might add that we have had conversations, both from our staff capacities here and through our accumulated experience—because all of us have worked on these issues one way or another for quite a long period of—we have had conversations with people around the country in designing this; and there is no question that there are people who are out there working with young people, in important areas of need right now who feel very confident that working in partnership with an institution of higher education—which is what the framework contemplates here—the authorizing statute, the authorizing framework—that they can come in with a proposal that would be a high quality proposal and will involve a significant number of young people for the summer.

I will just give you one example, in addition to others that we have mentioned. We have a summer feeding program around the country, with Federal money. There is a terrific opportunity there. You have gotten them to connect back up to the learning practices for the summer. I have had conversations with people who are very confident that they can put together a proposal in a community which will demonstrate that you can leverage the summer feeding program with a summer learning program and involve large numbers of young people in delivering that.

That is just one. And I really feel confident we will get high quality applications.

Ms. **Milton**. We have some experience with good models, and we have some information on models that have a strong track record.

Mr. **Edelman**. Just to give you one more, we have talked within HHS, the Department of Health and Human Services, to Dr. Gassler, the head of the Community Health Center program, who suggests there are all kinds of—in fact, I am carrying in my briefcase a list from her—activities that young people could be involved in, reaching out into the community to get parents to come and immunize their kids, but all kinds of outreach to get people to pay attention to health issues and get better health care. Again, that can be done. The infrastructure, I think, is there to do that for the summer as well.

Mr. **Stokes**. How long will it take to evaluate each recipient?

Mr. **Edelman**. You mean each applicant or—you are talking about both, evaluating applications and evaluating the program?

Mr. **Stokes**. Evaluating applications.

Ms. **Milton**. We have worked out a time line for evaluating programs. And because of the need to get programs up and operating for the summer, we thought it would be wise to at least allow people to know that the possibility of this might happen if Congress would decide to approve it so people would have a little bit of a head start in terms of being aware.

We would collapse the process of the actual peer review and really have, basically, a three-week process of reviewing applications to make sure they are approved. We also would have some ongoing evaluation of the programs.

And we already have an ongoing contract to evaluate our programs. And we would just, basically, subcontract with the ongoing evaluator to look at the impact on the community and the participants.

Mr. **Stokes**. Describe for us what is involved with the "Leadership Boot Camp."

Ms. **Milton**. It is something that, with some of the programs that we have already been trying under the National Service model, we have had some experience with training participants both in the area of citizenship as well as some skills, leadership skills, and skills for the actual service they will be doing.

So we are working with people who have had some experience as well as some other experts in training to develop a really exciting training program. But I think the reason that we have put the term "boot camp" in there is we thought it was very important to have a common experience together. It would be an uplifting experience.

We are looking at the possibility of using one of the Army bases that are no longer in use as a place for doing this because we could both keep costs down as well as be a symbol of the future. So I think we have a lot of ideas, everything from Outward Bound kind of ideas to focusing in on some of the specific skills they will need for the summer.

I think the main concept is to bring people from different programs so young people would have a sense of their part in something larger. They are going to be doing service in their own community, but they are part of a larger effort in this Nation. And we really expect them to go forth—even if they go back to their own communities or go to another community, we have a lot of expectations for them in terms of their leadership.

Mr. STOKES. Thank you very much.

Mr. Lewis, I yield to you.

Mr. LEWIS. Mr. Chairman, I am not sure I know exactly where to begin.

We are really talking about a $15 million proposed supplemental that involves four centers.

But much broader than that, we are talking about a program that relates to potential community service involving summer participation by a large cross-section of young people and, as you have described it, a significant age spread—which there will be a certain amount of competition for participation—there will also be intensive public service training, all of which is a model that suggests to me that this, likely, is a foundation or a beginning point for a project that will, essentially, dominate most of the work of the Commission on national and community service level.

I could see it moving in that direction quickly. I am not expressing that as a negative thought; but, rather, I can see it developing in that direction.

The Peace Corps, which is a different program—it is overseas, but it is designed to tap young people for community service of another form—has had, I think, a glorious experience. And probably the greatest benefit factor is not the countries that the young people are involved in, but our young people.

The draft is a different kind of experience that will hopefully, no longer, be a significant part of our need for public service.

And there are other kinds of existing programs like ACTION and so on.

Somebody suggested I ask the question. Why come in and ask for $15 million for this, when you already have money that is unobligated?

You don't need to answer that. But what occurs to me is that we are with this funding, along with whatever may be used from that unobligated money, to establish the foundation for a new kind of vision—maybe the first run is the expression of the President in his address, that it could involve thousands of youth in a reasonably short period of time.

Is that a correct conclusion?

Mr. **Edelman**. I think you have stated it very, very well. I would wholeheartedly subscribe to the description, not so much in any detail of the specific way in which this program gets organized in the summer, but in terms of this being the opening of what one hopes will be the beginning of many seasons of service, as the President said in his Inaugural Address.

I think it is very exciting, and I think you have described it quite accurately.

Mr. **Lewis**. As I described it, I can't help but be excited myself. I think we need to tap young people, et cetera.

But that raises the major question. Because we are talking about $15 million here in an appropriations subcommittee in which we are the appropriators. We are not the people who ought to be asking you the questions about this whole area of policy which involves, who is going to provide this intensive public service program that is needed, how do you go about selecting those kids to make sure that my kid gets in or doesn't get in, or what is the age spread? Is that an appropriate age spread? What do you mean by competition?

Our appropriation subcommittee, I am not sure, is prepared to ask those questions. Should this be going to an authorizing committee to make sure you have got a handle on it before we put the butter in the pan?

Mr. **Edelman**. Let me say this—and maybe Catherine would add—this is well within the authorizing legislation——

Mr. **Lewis**. I understand that. But it is totally different, then, too.

Mr. **Edelman**. But you know, Mr. Lewis, every administration comes in, takes a look at statutory frame work, and looks at that which Congress authorized in terms of a totality of possibilities and, where it is possible, sometimes some authorizations are obviously narrow; others are broader.

The Commission has a broad mandate. And, indeed, the thing that adds to that is that the Commission now has a track record. I think the Commission knows how to do this.

Plus the fact that we have the kind of accumulated advice and experience of a lot of people who come into this Administration and have already been doing these kinds of things. So I think it will be done well. And I think that the legal questions are the easiest to answer.

Ms. **Milton**. Maybe I could add that the Commission has a track record. And part of what they did in the last year is—in addition to sort of helping to set the framework—was to do a careful analysis of what already exists and to make recommendations and report to Congress—which was submitted a month ago—in terms of the major recommendations for the future.

One of those recommendations actually was focusing on summer. And based on our experience during the last year, we felt there was tremendous potential to do more with young people during the summer, both in getting them directly involved in service and having them be involved with even younger children.

So when we first had a discussion about this idea from the administration, my first reaction was, this fits in with where I think things should go at this point based on the last year's experience.

And it is one of our two or three major recommendations that we are making. So I think—and that was within the context of our authorizing legislation.

Mr. EDELMAN. I would just add, if I could, that in addition to the fact that the Commission's advisory group had made this recommendation, we had a meeting last week of leaders of organizations that do community service around the country and asked them for their ideas about the summer.

And everything that is in this proposal really came out of people in that room who represent, you know, literally thousands of person-years of experience. I can just tell you from my own experience. I would just add that I feel very confident that this can be done well.

Now, the detail in terms of exactly what the President's legislation is going to look at as compared to this, as I say, that is really still under consideration so that it isn't that this commits us to a precise way of doing the broad, exciting idea of National Service down the line. But I think it is a very sound start.

Mr. LEWIS. I am thinking of, specifically, a young person here in D.C. that we have spent time with since he was four. He is now 14. Last summer he was involved in the D.C. Community Service Program for which there was some pay, because kids want to earn money to do some of the things they want to do. This summer he was talking about caddying in the summertime. That is to say a broad cross-section of young people you talked about really wanting to work during the summertime, do you anticipate them being paid in this Program.

Ms. MILTON. Oh, yes. Otherwise we thought we would only be limited to the rich. So we felt very strongly we had to have some kind of stipends which would be along minimum wage lines.

Mr. LEWIS. Let's assume that it was minimum wage of $2 an hour more, you are talking about a program that begins to explode out there. It could make a fantastic contribution.

I am wondering whether your original authorizing committee is aware of this shift of gear relative to what might have been the parameters of the law regardless of that.

Mr. EDELMAN. Again, the kinds of project—maybe you should even describe the kinds of projects that you have been funding. While they haven't been summer programs, they have been very consistent in terms of concept.

Ms. MILTON. We have funded literally thousands of young people to work in Youth Corps during the summer and are doing so again this summer.

We are also funding programs that work within the schools to not only get college students but elementary and secondary school students to do service projects during the summer and year round.

We are also funding models of National Service, most all of which operate year round, with stipends.

So it is very much within the statute. The amount of stipend was set within the authorizing legislation. I think the difference here is much more of a concentrated effort on summer.

But, as I say, we have funded in all of our areas—funding programs for the summer, being—and I really would have to sort of guess at the number—but it is literally several thousand students that we are funding programs for young people in the summer.

Mr. EDELMAN. I think we are building on that experience, because what is new here is that this set of projects—whether it is four or 10—I tend personally to think I would like to see closer to 10, but obviously it is not up to me—that would be sort of the process, if it comes to that.

It is really building on what Catherine was talking about, to make this capture the attention of the country so that we do get the kind of exciting start toward broader National Service that you are excited about.

Mr. LEWIS. Mr. Chairman, I am sorry to extend this as long as I have. And there is not time to ask all the questions I might conceive of having so I probably could know a lot more about this.

I have got a hunch that in five years are going to wonder why we didn't ask a lot more questions about it because it is going to be considerably larger than a lot of people think. I am not saying that is bad.

Mr. EDELMAN. Can I just reassure you that in terms of a larger national program, the President is going to seek legislation. There will be an authorizing committee that asks, I hope, all of the hard questions that are on your mind and—lots of questions.

So the Congress is going to have a full opportunity here before this proceeds with the full national program, to examine it completely.

I hope that is of some help in setting your mind at rest.

Mr. STOKES. Mr. Torres?

Mr. TORRES. Thank you, Mr. Chairman.

Mr. Edelman, Ms. Milton, I am intrigued by the proposal, by what you have presented to us today. I am an old veteran of the war on poverty programs. I am sure you are familiar with them, the Kennedy/Javits programs that gave rise to Title VII, the CDC movement. I come out of all that. And, obviously, I have seen a gap between those times and today.

What I am hearing is that there is a tremendous potential here, really, for young people. I think we need it. I think young people are really searching for a place in the sun. You have answered most of the questions that the Chairman and my colleague have presented to you.

I heard in passing right now something about forestry and schools being involved. Lord knows we know we need to really delve into a particular part of anti-social behavior today, gangs and their impact on our communities.

To what degree will the program direct itself to some of those sort of anti-social areas that I think need to be addressed?

Mr. EDELMAN. I think in the short run, Mr. Torres, the question of the age of the young people who will be served is open for this summer.

I think in the longer run—I would expect that the President has talked about a number of different areas, education. He has talked about public safety. And of course in other areas, as you know, in his proposals in the area of criminal justice, he has talked about boot camps for first-time juvenile offenders.

Here, with the theme we have sort of settled on of children at risk for the summer, I wouldn't be surprised—the Commission would have to evaluate the competition, but I wouldn't be surprised to see a proposal that involves working with teens that have been in trouble or are at risk of being in trouble with the law. That is something that is important and could be one area of activity.

Ms. MILTON. I might add to that, that with the Youth Corps that we are already funding, we would certainly encourage them to be part of the proposals coming into this program. Many of the Youth Corps are actually made up of young people who are opposing gangs and who are working right alongside each other. I have met many of them throughout the country. So I think that would be one way of having them directly involved as participants.

But also, one of the other ideas that we have and want to encourage in proposals is to have, when possible, the young people working as mentors to younger people, particularly middle schoolers, which is such a critical point in time, and reaching them before they end up going into gangs.

It has been our experience the best way to teach leadership to young people is to actually have them be leaders, particularly with working with young people and then having those younger people work with even younger people themselves, you know, first and second graders.

So that is part of what we hope to have happen, at least with some of the programs that we will have in the summer.

Mr. TORRES. You mentioned competitiveness. In what context? In receiving the service or providing the service?

Mr. EDELMAN. We are talking about, for the summer program a range—to be determined, really, in part by some further thinking and, in part, by the quality of the proposals—the type of proposals that come in—of four to 10 total summer service projects around the country, because we want this to have high visibility.

This, of course, is not the total of summer activity that is going to be going on involving young people. You have some programs under the Commission that Catherine Milton was mentioning. You have the Labor Department programs that the Chairman asked me about. We have a whole lot of ways in which we involve young people in serving in summer activity, including a lot of stuff that the Government doesn't have anything to do with, which is very important and very critical, private sector initiatives in communities. This is a notion of trying to get high visibility. As I said before, trying to capture the attention of the country.

So the idea is that you would have a relatively small number of proposals that are funded that are each going to involve relatively large numbers of young people to kind of demonstrate impact. So that is the nature of the competition, is that everybody would have to come in, because of the way the authorizing legislation is constructed, with a partner who is a post-secondary institution—community college, it might be, might be a four-year college, you know—and a nonprofit organization coming in together and saying—or a group of organizations in a community, maybe with the business community as well—come on in and say, this is what we propose to do: We want to compete for a piece of your money; we are going to get every kid in Milwaukee immunized this summer; we are going to build this around the health center and medical center in Milwaukee.

I mentioned before, we are going to reach all kids who are in the summer feeding programs with a summer of learning. Those kinds of things.

And so the competition would be—because I think we will not have an infinite number of takers, it is not easy to put together an application of this magnitude but, certainly, there will be more people competing than we will have the ability to make awards to.

Mr. TORRES. Thank you.

Mr. STOKES. Mr. Edelman, Ms. Milton, we thank both of you for your appearance here. We look forward to working on this package.

Mr. EDELMAN. Thank you very much, Mr. Chairman.

Thank you very much.

Summer of Service

Program Justification

Serving Children at Risk

Summer of Service funds ($15 million total) will be targeted to address the unmet needs of children at risk. Moreover, to demonstrate the potential of service in a short period of time, funding will be limited to programs in no less than four, and up to ten urban and rural areas. There is a strong preference for programs that demonstrate coordination between a number of service organization in selected areas.

The Commission on National and Community Service will select proposals for funding based on the statutory authority contained in the National and Community Service Act of 1990 and the Commission's implementing regulations. Current matching requirements will leverage additional funding to support the funding contained in the economic stimulus package. The following activities indicate examples of the services that Summer of Service may provide:

-- assisting health care providers implementing immunization programs for very young children;

-- individualized literacy programs;

-- educational enrichment activities for children at risk of dropping out of school;

-- projects to test an entire neighborhood for lead paint.

Building on Existing Models

Existing not-for-profit organizations (service providers, schools, higher education institutions, youth corps, and/or, public agencies) will be invited to submit proposals to the Commission. The proposals will be required to reflect at least the following components:

-- a detailed plan showing measurable outcomes from the services to be rendered (e.g., how many children will be immunized or tutored; how many apartments will become free of lead paint);

-- a minimum of eight weeks of service during the summer of 1993, not including the national training and related activities described below;

-- a proven track record of running community service programs of the type proposed;

-- a sufficient local infrastructure to ensure that the program will be fully implemented;

-- a demonstration of local community support (with applicants encouraged to show financial or in-kind participation from the private sector or other governmental levels);

-- a plan to attract highly-qualified potential participants from ethnically and economically diverse segments of the community;

-- a plan which incorporates service learning into the summer experience;

-- a detailed program of supervision to ensure full performance of meaningful work and optimal training of participants; and

-- a demonstrated ability to implement federally-supported stipends and post-service benefits for education and training.

Targeting Resources

To target Summer of Service resources effectively, applicants must demonstrate to the Commission that either on their own, or in conjunction with other organizations, they have the ability to provide valuable service opportunities for at least 50 program participants. The target for each participating community (which may be composed of several coordinated programs) will be 300 participants, except for rural areas where programs may be smaller.

The Commission will give particular consideration to the following criteria:

1. coordination between institutions of higher education, community-based non-profits and/or public agencies;

2. leveraged impact, achieved by multiplying the number of participants through involvement of non-stipended volunteers (particularly middle school youth and senior citizens).

In order to be considered for funding as a higher education innovative project for community service, an application must be submitted by a qualified institution of higher education, or must be a consortium including such an institution.

From the proposals submitted, the Commission's Board of Directors will award grants to the best proposals, utilizing criteria which includes quality, innovation and replicabilty. The Commission will select no less than four, nor more than ten geographical areas. Selected sites will be geographically diverse, and shall include both urban and rural programs.

Leadership Training

To provide effective leadership training, and to develop a group of service leaders, the Summer of Service will include a week of training at the beginning of the summer and a summit at the end of the summer.

Training at the beginning of the summer will require one week of intensive "leadership boot-camp". At the conclusion of the summer, all participants will again be assembled for two days of debriefing and training, followed by a Youth Service Summit Conference, to be attended by the President, interested members of Congress, and selected members of the academic, service, and other interested communities. The Conference will examine those lessons of the Summer of Service which are applicable to a broader program for national service.

Summer of Service Project Costs

Summer of Service participants will receive a minimum wage stipend and a post service benefit of $1,000 to be applied to education or training. Program costs will also include program training, supervision and leadership training.

Total cost per participant will be $5,890. Total cost for 1,800 participants will be $10,602,000.

Leadership Placement

To assist all participants interested in extending their period of service, Summer of Service will provide placement assistance to participants. The Commission will make available information about pre-qualified service projects, and will provide these projects with resumes of Summer of Service program participants. The leadership placement program is budgeted at $100,000.

Program Analysis

At the end of the summer, a Youth Service Summer Conference will be held to analyze and evaluate the results of projects undertaken under this program. In addition, an analysis will be conducted of the overall program and the Youth Service Summer

Conference. A report summarizing the Summer of Service and the Conference will be prepared for submission to Congress and for public release. These activities are budgeted at $535,000.

SEA Change Awards

The Commission may grant up to 25 Service Entrepreneurship Awards for Change (SEA Change Awards) to encourage participants to develop innovative approaches to service. Participants may submit a business plan during the course of the summer, detailing their intention to create a service program that they would implement over the following nine months. These awards will provide venture capital to encourage innovative programs for national service and involve the nation's youth in addressing urgent national needs. This program is budgeted at $475,000.

Other Program Costs

Other costs associated with the Summer of Service program include training of supervisors; and review, selection and oversight of funded projects. These activities are budgeted at $820,000.

Summer Corps Catalyst Grants

Summer of Service includes challenge grants to encourage successful summer corps programs to expand their efforts this summer, creating 2,000 additional service opportunities. Existing programs, such as PennServe, will be provided up to $500 per participant as partial funding to expand their programs this summer. This program is budgeted at $1,000,000.

K-12 Service Learning Program

The Summer of Service program will train elementary and secondary school teachers to design and administer programs in their schools. This project is budgeted at $250,000.

VISTA Associates

$1,218,000 will be granted to create approximately 600 additional VISTA summer associate positions, where individuals 18 years old and older will work full time on projects, in tandem with full-time VISTA volunteers. Their work also will be focused on the needs of children at risk.

Total Participation

This integrated proposal would accordingly involve a total of 4,400 participants, at a total cost of $15 million, which overall results in an average cost of $3,409 per participant.

OTHER INDEPENDENT AGENCIES

COMMISSION ON NATIONAL AND COMMUNITY SERVICE

Programs and Activities

For an additional amount for "Programs and activities", $15,000,000.

This supplemental request would provide resources for four national service leadership centers to be established this year. Each center will be charged with attacking a different goal, such as combatting homelessness, cleaning up the environment, teaching disadvantaged youth, or inoculating children, and will have a clear measurable goal. Leaders trained at these centers would catalyze the next wave of national service programs expected to be authorized under the President's national service program later this year. The program would involve 1,000 participants this coming summer at four residential sites around the country.

Under this request obligations would increase by $15 million in FY 1993, and outlays would increase by $12 million. An estimated 1,000 jobs would be generated by this proposal in FY 1993.

WEDNESDAY, FEBRUARY 24, 1993.

ECONOMIC STIMULUS PROPOSAL

WITNESSES

DR. PAUL CRAIG ROBERTS, CHAIRMAN, INSTITUTE FOR POLITICAL ECONOMY, AND THE WILLIAM SIMON CHAIR OF POLITICAL ECONOMY AT THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

DAN MITCHELL, ECONOMIST, HERITAGE FOUNDATION

Mr. STOKES. The committee will come to order.

At this afternoon's hearings we anticipate three witnesses who will testify before the subcommittee. Those witnesses will be Dr. Paul Craig Roberts, who is Chairman of the Institute for Political Economy at the Center for Strategic and International Studies in Washington, DC, and who is a Senior Research Fellow in the Hoover Institution, Stanford University. During 1981–82 he served as Assistant Secretary of the Treasury for Economic Policy.

Also, Mr. Dan Mitchell, an economist with the Heritage Foundation; and Mr. Lawrence Kudlow, former Associate Director of the Office of Management and Budget.

I understand Mr. Mitchell is here at this time.

Mr. Mitchell, we would be pleased to have you come forward. Take a seat at the table. We are pleased to have you here this afternoon, and at this time you can present your statement or whatever you would like.

Mr. LEWIS. Go right ahead.

Mr. MITCHELL. Thank you on behalf of the Heritage Foundation, for this opportunity to testify.

The so-called emergency spending package proposed by President Bill Clinton will hinder the ongoing recovery by transferring additional resources from the productive sector of the economy to government. Clinton's proposal calls for $8.3 billion of additional outlays in fiscal 1993, with another $9.3 billion of outlays in the following four years. Regardless of how this money is spent, its disbursement rate or any other categorical definitions, the economy's performance will suffer. Record increases in Federal spending and budget deficits did not help the economy during the Bush administration, and there is no reason to think expanding the size of government will work any better for President Clinton.

If higher Federal spending and larger budget deficits could stimulate economic growth, the economy should have been booming several years ago. In the last four years, Federal spending has increased by more than $330 billion. In this year alone, Federal spending is expected to grow by approximately $85 billion, not counting any outlays which might be added through new legislation.

The budget deficit, meanwhile, has jumped from $152.5 billion in fiscal 1989 to a projected $319.2 billion for this fiscal year. Rather than grow, however, the economy in the last four years has experienced its weakest growth rate since the 1930's. Nor has the increase in Federal spending helped create jobs for American workers, which is the alleged goal of Clinton's planned stimulus package. Unemployment climbed from 5.3 percent in 1989 to more than 7 percent today.

The notion that higher Federal spending generates economic growth is based on the Keynesian theory of economics, which was popular in the academic world prior to the 1980's. Under this theory, it is total private and government spending that drives the economy's performance in the short term. If the economy slows, Keynesians and, apparently, the Clinton administration believe that policymakers can restore growth by increasing the budget deficit and boosting total spending in economy.

The Keynesian theory fell into disrepute in the 1970s when it came clear that high government spending and deficits were associated with slow economic growth and inflation rather than a strong economy. Critics of the Keynesian theory pointed out that, among other reasons, this was because Keynesians assumed the money used for expanded deficit spending appears out of thin air.

In the real world, however, every dollar of deficit spending requires the government to borrow $1 from private credit markets. Rather than stimulate growth or increase total spending in the economy, deficits transfer resources from workers, consumers and investors in the productive sector of the economy and put them under the control of politicians and bureaucrats. These officials tend to use the money less efficiently than the private sector would. The result: slower, not faster, economic growth and slower, not faster, job creation.

If Congress approves President Clinton's proposed new spending, that action will crowd out an equal amount of private sector investment. The economy can benefit from this new Federal spending only if government spends the money more wisely than the private sector would have. That is not very likely if world history is any indication.

Rather than increasing deficit spending, lawmakers should be reducing the level of Federal outlays so that more of the Nation's pool of savings will be available for investment in the productive sector of the economy. Private sector borrowing, which is used for research and development, new plants and equipment, auto loans, home mortgages, and so on, increases the economy's productive capacity to produce goods and services. And private investment, of course, makes possible the productivity increases that lead to rising wages and higher living standards for all Americans.

Clinton claims spending increases will have a particularly beneficial impact if the money is spent on so-called public investment programs. Everything ranging from infrastructure to education. The evidence is very clear, however, that higher spending in these categories will not stimulate job creation and economic growth. The General Accounting Office, for instance, discovered that each job created by the Emergency Jobs Act of 1983 cost the economy $175,000 a year in today's dollars.

A 1979 study by the Carter Office of Management and Budget found that infrastructure jobs cost between $136,000 and $384,000 a year in today's dollars. Since an average of $40,000 is needed to create each private sector job, any government program that uses more than $40,000 to create a job will actually reduce the total number of jobs in the economy.

The administration claims their total package will create 500,000 new jobs, but they are making a blatant error, perhaps deliberate, by not counting the number of private jobs that are destroyed by the additional government borrowing. Using the $40,000 rule of thumb, the Clinton's jobs-creation stimulus package will destroy many more jobs than it will create, and that is assuming one even believes the 500,000 job creation number to begin with.

In order to stimulate economic growth, the Clinton administration should copy the successful policies of John Kennedy and Ronald Reagan. Both Kennedy and Reagan triggered record economic expansions by slashing tax rates and reducing the burden of government spending.

In conclusion, America was subjected to tax-and-spend economics under George Bush, and it did not work. The same policies will fail for Bill Clinton. Adding another $8.3 billion to this year's budget, not to mention the $9.3 billion down the road, will compound the damage already caused by a growing government share of the Nation's economic output. Higher spending may produce economic growth on the university blackboards of Clinton's economic advisers, but it does not do so in the real world.

Thank you very much. I would be happy to answer any questions you may have.

Mr. STOKES. Thank you very much, Mr. Mitchell.

Let me ask you this. You have talked to us about how bad deficits are. How about the $3 trillion that was added to the deficit during the 1980s? That also was bad deficits?

Mr. MITCHELL. I have talked about how bad government spending is, not how bad the deficit is. I happen to believe it is the total amount of resources you take out of the private sector that determines the fiscal burden of government. Whether that spending is tax financed or debt financed, you will have different effects in terms of the harm you will do to the private sector. But it is the level of spending, not the deficit, that matters.

So I guess, in some sense, the question about the debts during the 1980s, I think it was bad, but I think it was bad as a symptom of Federal spending which grew much, much faster than the rate of inflation.

Mr. STOKES. Let's assume for a moment, for purposes of discussion, that you were the newly elected President of the United States. And what would you do? Nothing? Just let the economy go on as it is now?

Mr. MITCHELL. As I said in my testimony, I think we would be wise to mimic policies in the past which have worked which—I look at the Kennedy and Reagan administrations and their similar policies as being models at least which produced economic growth if not balanced budgets. And I compare that to the model Clinton is using which seems to bear much more in common with Presidents such as Hoover, Johnson, Carter and Bush. And I just think, in looking at those two models, it is clear which one will be more profitable for the economy to follow.

I also look at the fact that every tax increase we have had in the last 12 years has resulted in higher not lower deficits, and I find it hard to conclude how the Clinton plan is going to either increase economic growth or reduce the budget deficit.

Mr. STOKES. Just following on in terms of the sort of theme that came—that seemed to come out of the election and that was that the American people wanted change, which they did effectuate in terms of the policymakers.

Wouldn't you assume, also, that in terms of the Nation's economic policies that the American people also want change and that they would—and if we look at the polls that have just been taken since the President's appearance here a few nights ago, at which time he enunciated his change in economic policy, wouldn't you think that would follow, then, that we should at least give this president the opportunity to put forward his economic policies in the same vein we have given that opportunity and that privilege to every other elected president?

Mr. MITCHELL. Well, I think the American people in the polls were responding to the plan that President Clinton described, which is not very similar to the plan that he actually introduced, which, if you look at fiscal 1994, has $37 billion of higher taxes for no net reductions in baseline Federal spending.

So, in effect, we give them the baseline increases in Federal spending, but he has not done anything to reduce the deficit by one penny. You factor out all the tax increases he labeled spending cuts.

In terms of whether the American people were asking for change, my complaint is not a partisan one. The problem is that Clinton is proposing the same policies as George Bush who gave us the largest single year tax increase in history. He increased domestic spending at a rate three times greater than the Carter administration on an annual basis.

So my problem isn't change. I want change. I just think Clinton is proposing the same thing as Bush. In effect we have Clintonomics for four years, and I don't think it will work any better under Clinton than under Bush.

Mr. STOKES. Thank you very much.

Mr. Lewis.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. STOKES. Sure.

Mr. LEWIS. Thank you, Mr. Mitchell for being here. We appreciate your input, and it is significant when added to the testimony we received yesterday. I can't help but wonder, though, how, as a Republican policy maker, you so easily draw a line between the Bush, Clinton and Reagan administrations.

I was here shortly after we celebrated the $1 trillion mark in the deficit. When President Reagan left eight years later, we had over $3 trillion worth of deficit. The rate of growth in spending clearly was accelerated during that time, and yet your testimony would suggest there is some huge gap between Bush-Reagan. Some would suggest Bush was an extension of policies already established in the Reagan administration.

Mr. MITCHELL. Well, Clinton clearly made a very persuasive case to the voters in November that that was true. But if you take Federal spending, adjust it for inflation, or adjust it for GDP, if you want to, and look what happened to Federal spending. There is a relatively sharp—especially in terms of domestic spending, there is a sharp rate between the Reagan administration and the Bush administration, especially if you then consider the Reagan administration's second term where Gramm-Rudman was in effect.

With the Bush administration, which, of course, repealed the Gramm–Rudman as part of the 1990 budget deal, you had a tremendous shift in the growth rate of domestic spending adjusted for inflation under Bush. If you look at spending a result of GDP you see when Reagan came in office it was at 22 percent. It continued to rise, continued the trajectory it had under Carter, peaked at about 24.5 percent of GDP in 1985, or 1984, and then, as a result of Gramm–Rudman, came down to 22.1 percent in fiscal 1989, which, of course, was Reagan's last budget.

Since that time, Federal spending as a percent of GDP has shot up now to over 24 percent, and that, of course, has been accompanied by reductions in defense spending. So there has really been a tremendous climb in Federal spending under Bush.

So I simply echo that my point is not partisan. Democratic presidents who follow pro-growth policies and economic growth have reduced levels of government spending and lower deficits. But it works vice versa. Republicans that follow that policy will get bad results.

Mr. Lewis. Your model appears to conveniently label change by way of administrations. The Congress has been essentially the same for all that time, and spending patterns are very much driven by the House. The House does appropriate money.

I am wondering why your analysis doesn't take into account policy development within the House rather than that in each administration.

Mr. Mitchell. It is certainly true Congress spends the money. But, given that there is such a dramatic break in the trend lines of fiscal policy between the Reagan and Bush administration, and given that President Clinton is proposing policies that look very much like the baseline policies that Bush left in place, I have to go with the numbers. These are out of the historical tables of the budget. You are talking about numbers that are not disputed between CBO and OMB. They are all historical.

And even when you consider the fact a lot of people say, well, you can't really blame President Bush for entitlement spending, we had entitlement programs. They are all the same entitlement programs under Reagan. And yet the inflation-adjusted growth of entitlement spending under Reagan was much, much lower. There might have been that they were policy changes that occurred under Reagan that took effect under Bush.

I don't mean to imply everything Reagan did was right and everything Bush did was wrong. I am simply looking at the levels of Federal spending that occurred under each administration, and I am applying that to the Keynesian economic model of the Clinton administration that somehow suggests that more government spending will stimulate economic growth. If that is the case, whether Bush or Congress or even Reagan is to blame for the deficits of the last four years, they clearly have not stimulated economic growth, which is the fundamental point of my testimony here against the Clinton stimulus package.

Budget deficits do not stimulate economic growth. It is based upon an economic theory that assumes money comes out of thin air—basically, the economic equivalent of a free lunch.

Mr. LEWIS. I guess what I am probing here is that some significant policy direction errors were made early on during my stay in the Congress when we urged the President, then President Reagan, to use the veto considerably more often than he did. And because of that, programs were put in place that impacted policy changes that, in turn, exercised those automatic spending programs that are part of the law.

There are liars, damn liars and statisticians, and I would urge you, in terms of policy analysis, to go beyond the hard numbers. I am sure you have done that, but that is not what your testimony says to me, and I am wondering.

Mr. MITCHELL. I don't know what besides hard numbers would be a very good way to judge fiscal policy. I know that it doesn't tell you everything. For instance, there were a lot of medicaid changes that were signed into law by Ronald Reagan that really triggered a lot of new spending that occurred under George Bush. So, yes, in some sense you want to go back through history and trace where a dollar of Federal spending came from.

And, again, I will simply repeat I don't credit Reagan for the slowdown in spending that occurred in the second term completely. That was probably more due to Gramm-Rudman than to him. And I don't blame Bush or the Congress completely for the increase in spending. A lot, if you trace it, of it had to do with legislation that other presidents signed.

Matter of fact, my biggest complaint with the Bush administration was the repeal of Gramm-Rudman, which, although it worked imperfectly, if you compared Gramm-Rudman with the growth of spending pre- and post-Gramm-Rudman, whether adjusting for inflation or GDP, there was a significant slowdown in the growth rate of Federal spending under Gramm-Rudman. And, matter of fact, I think the biggest shortcoming in the 1990 budget deal was not tax increase but rather the repeal of Gramm-Rudman.

The tax increase, the economy can and has basically adjusted to, albeit probably at a slower rate of potential growth. It is the repeal of Gramm-Rudman that, basically, threw out, probably permanently, one tool that did seem to be working. And if you are concerned about the aggregate level of Federal outlays, which is the number I look at, not the budget deficit, I think that was a very big mistake.

Mr. LEWIS. Let me take us to California specifically. It is my State, but it still represents a very big piece of the country. It has not come back in the direction of some of those recovery numbers one might point to. The reduction in unemployment, being down presently at a national level to 7.1 percent from 7.3 in December. Those reductions are not reflected in California.

Many suggest a very significant piece of our ongoing problem finds its origin in a reduction in Federal spending, specifically a reduction in defense spending. That has put those engineers out of work.

Any comment in connection with that? Has that reduction in spending been healthy generally for the economy?

Mr. MITCHELL. A reduction in spending will have very specified local effects that are going to be damaging. And Southern California, in particular, very dependent on defense spending. No question reductions in defense spending are going to be a problem for that region's economy.

For the national economy, once you work out that short-term effect, we will be better off. Resources that were being used for defense spending, which were necessary and still are necessary, but it is not spending that generates economic growth. Paying people to give us a good, a public good, defense, that is very hard to quantify. In the long-term, we will get more economic growth by having those resources in the private sector.

In my testimony I did not say and I specifically go out of my way not to say that everything is rosy in the economy, which is the argument that some are using against the stimulus package. I think there are policy changes that would be beneficial to the economy that should be made. I just don't think increased government spending is one of them.

I am all for stimulus, but my idea of stimulus I suspect is radically different from the current administration's idea of stimulus.

Mr. LEWIS. And increased government spending that is tagged with the term emergency and thereby has to be an automatic transfer to the deficit just compounds the problem; right?

Mr. MITCHELL. Compounds the problem, because, again, it is not the deficit, it is the level of government spending that is the variable to the current emergency where you don't have to have any offsets. Not that I think offsets on the tax side would make it any better. You are simply jumping from one frying pan to the other if you tax finance as opposed to debt finance.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. STOKES. Okay. Mr. Torres.

Mr. TORRES. Thank you, Mr. Chairman.

Mr. Mitchell, having listened to your testimony and some of the ensuing discussion here, every graph that I have seen of late, or at least my time here in Congress and most recently, dramatically shows the curve beginning in the early 1980s to rise based on Reagan years' increases in expenditures for the country, namely for military buildup, consequence of tax breaks and bringing us to that $1 trillion level. And beyond Mr. Reagan, then Mr. Bush, that curve continuing to climb.

I dare say you are an economist, you draw these graphs, and you know these formulas. Am I perceiving correctly to say that curve has been rising?

Mr. MITCHELL. In terms of the national debt or Federal spending?

Mr. TORRES. Exactly right.

Mr. MITCHELL. Those numbers are exactly accurate. The most important number, again, is not the national debt because the price of that is the interest we pay on it every year. And that is significant. No question about it. $210 billion or whatever it is we pay on interest is money that cannot be used for anything else, whether tax cuts, as I would prefer, or additional spending, as some of you might prefer. But it is basically water under the bridge. It is damage that has already been done. Nothing we can do about it today. We have to pay the interest on the debt.

Mr. TORRES. Precisely on that note, however, we know why those expenditures were made. We know the policies and the politics of that. The fact remains, in that period we went from a creditor Nation to now the world's largest debtor Nation. We owe the rest of the world more money than they owe us. Primarily, you hit on the interest. I think, while it is history and it is behind us, nonetheless, we are now faced with an issue that we have to begin to resolve. I think the issue that the President has brought forth with his stimulus package is to begin to resolve that crises that we are in as a Nation.

He has put forth a stimulus package that you yourself say has a number of spending cuts in it, 150 as I recall the President saying. Don't you believe that that is going to move us in another direction? I mean, after all, again to quote the oft-said statistic that more debt was incurred in the last two administrations than the previous 200 years of American history, don't you believe we are at a point now where we can begin to move in another direction to offset this crisis?

Mr. MITCHELL. I guess a couple of statistics as background. If you look at 1980 tax and spending levels and compare them to 1993 tax and spending levels, tax revenues are up by $630 billion, which is a 26 percent increase after adjusting for inflation. So I am not sure I buy into the notion that somehow the government has been revenue starved.

If you look on the spending side, spending has gone up by $884 billion, which is a 42 percent increase after adjusting for inflation. And, incidentally, nondefense spending is up 45 percent adjusted for inflation. So defense, although it has gone up, is actually less of the burden compared to the growth of domestic spending.

In terms of creditor and debtor Nation, I think those statistics are largely meaningless. Because one of the reasons we were a creditor Nation back in 1980 was because we had lots of loans out to Third World countries that were never repaid but were an asset on the books of the United States or at least on the banks of the United States.

One of the reasons we are a debtor Nation now is because, in the 1980's, foreigners found the United States a better place to invest than their own home countries. Now that makes us a debtor by this sort of accounting entry on the statistical books of the Commerce Department, but I view that as a sign of economic strength just like it was a sign of economic strength in the 1800's when all European capital came to America to finance railroads and canals and factories. I would much rather have foreigners building factories and employing people in the U.S. than have American banks be making loans to Third World governments that simply wind up being losses on their balance sheet.

Mr. TORRES. Isn't the American government—our government—borrowing every day from those foreign deposits? Aren't they doing that?

Mr. MITCHELL. Historically, between 15 and 20 percent of our deficits have been financed by foreigners, and that ratio continues today.

Mr. TORRES. It has to be paid back with interest.

Mr. MITCHELL. Well, I actually am skeptical as to whether we can ever pay down the national debt, but I suspect if we move from deficits to a balanced budget, that would be a significant enough step forward. A lot of economists would be very happy with that because, if you got the budget balanced, economic growth, even at modest levels, would reduce the national debt as a percent of GDP, which would then reduce the burden of paying for it.

At the end of World War II our national debt as a result of GDP was over 100 percent and dropped down in the 30's and now is back up to the 50's but even, still, I have a hard time viewing the national debt as a crisis when it was twice as big relative to the economy in World War II as it is today.

Mr. TORRES. You pointed out under Mr. Bush domestic spending increased sharply. What percentage of this growth in spending fell outside of entitlement programs? Say social security.

Mr. MITCHELL. The bulk of it, of course, occurred in entitlement programs. I don't have the figures right in front of me, but I recall—at least if you compare the growth of domestic discretionary spending under Gramm-Rudman with the growth of domestic discretionary since Gramm-Rudman, it is growing five times as fast on an annual basis adjusted for inflation.

I would be happy to go ahead and send reports that analyze the growth of domestic spending, breaking it down by domestic, discretionary and by entitlements, but I didn't bring those with me.

Mr. TORRES. I would appreciate that.

Thank you, Mr. Chairman.

Mr. STOKES. Certainly.

Mr. DeLay.

Mr. DELAY. Thank you, Mr. Chairman.

Welcome, Mr. Mitchell. I appreciate your coming today. You have given us a lot of things to think about.

You alluded that you would do nothing when you responded to one of the chairman's questions on providing a stimulus.—You said you would have some stimulus, but it wouldn't be stimulus of government spending and more debt. What kind of stimulus are you talking about?

Mr. MITCHELL. Well, I think that we should be looking at tax policy changes that can be made, many of them, without any loss of revenue, even as an added basis. The tax incentive act was basically the accelerated depreciation for capital cost recovery that you are familiar with in the DeLay-Wallop legislation. That can be done on a static basis without revenue loss simply by adjusting the balance from 200 to 150. That would increase the after-tax value of investment considerably.

I think capital gains is something that can be done without losing revenue to the Treasury, and that, of course, gets wrapped up in the class warfare issue. I would point out that the incomes of lower and middle income Americans depend more upon investment and economic growth than do the incomes of the well-to-do. If we want to increase living standards for everybody, particularly for people on the bottom end of the economic scale, you have to have investment. Investment is what drives real wage increases in the economy, and yet tax policies sometimes seem designed to punish savings and investment in this country.

So I would go after the tax side. I would be sensitive to the notion of what would happen with big revenue losses. Therefore, I would focus on the things that don't involve revenue losses.

On the spending side, I think right off the bat the first thing you can do is not do all the domestic spending increases both in the stimulus and so-called investment package of the Clinton administration. That saves you right there $150 billion or something. And then, beyond that, you would be hard-pressed to find a spending cut that you wouldn't find the Heritage Foundation agreeing with.

So I don't think we would have the problem that Leon Panetta seems to like to trot out about Republicans or conservatives being bashful about cutting spending.

Mr. DeLay. The President has predicated or based his whole plan—and part of that plan being the stimulus package—upon an evaluation of the economy. When he was running for President he kept telling the American people that the economy in 1992 was the worst economy in 50 years. And we found out that that was not the truth. He told us that the tax burden had shifted from the rich to the middle class, and in fact, I have not seen very many people agree to that.

The tax burden, in effect—even the IRS, if you just take income tax returns—show that the tax burden significantly shifted to the upper income level of this country during the 1980's. They have made the revisionist statements—I think they get it from one book that has been refuted—that salaries during the 1980s have gone down. That the standard of living for Americans has gone down. Economic expert are starting to refute that.

But on this stimulus package, they say that this recovery is not good enough, that this is a slow recovery. It is based on productivity. And there is not enough jobs being created. Disregarding the fact that the Department of Labor statistics in January said that over a million jobs were created in 1992. That—and the latest employment figures—show that we have gone from 7.3 to 7.1 in unemployment figures.

Can you describe the economy as you see it—such as how long have we been in the recovery? Are we still in a recovery? What do you see happening in the immediate future? Because this legislation is sold as an emergency. We have to do this now. What do you see for the immediate future that would dictate a jobs bill like this?

Mr. Mitchell. Well, technically, the recession ended in March of 1991, which is almost two years ago. Unemployment, of course, in all business cycles, is a lagging economic indicator. The peak of unemployment is usually several months, if not a year, after you have the trough of the business cycle. And then, of course, after the economy starts to grow, its takes a while for the unemployment rate to come back down.

I guess in some sense I agree there are some economic problems that need to be addressed and that I think President Clinton is right. I just think his policy prescription is wrong. We imposed significant costs on the private sector in 1990, particularly in 1991, between the Clean Air Act, the Disabilities Act, the tax increase, and a whole host of other pieces of legislation. Payroll taxes that were legislated way back in 1977, the last one of those went into effect in January of 1990. And I think it was not terribly surprising, businesses simply were not able to create a lot of jobs, and I think we still have a carry-over effect on that.

Just as an anecdote, the Heritage management went through a briefing on the ADA and what you had to do to comply, and the lawyers said, basically, nobody knows. The law was written so vaguely, basically, it is an open lawsuit if you do anything that is—remotely can be claimed to be some sort of discrimination.

So a lot of things that private employers are looking at is what the increase in payroll tax is, what are the regulatory regulations that went through. We do not have a job creation coming out of this recession as in past recessions, but that is because we have made a lot of policy mistakes that I think were the major cause of the recession and continue to linger and continue to be reducing our potential growth rate of GDP.

Mr. DeLay. You mentioned the ADA. We also will have full implementation in the very near future and in the next year implementation of the Clean Air Act. This is going to have an incredible impact on Houston—I don't know about New Jersey, but incredible impact on Houston—and people are not hiring now because they don't know what the Clean Air Act is going to do to them. So that I suppose those are examples of what you are saying.

I am glad we had this hearing today because, as of last night, it seems that President Clinton's strategy is changing. All of a sudden, this is not as much of an emergency, that we are going to have spending cuts first. Only after the budget are we going to do the stimulus package later. It seems to me we are going to do the budget first, then the stimulus package. Then the real spending cuts come after that.

I am of the opinion that what negative public pressure that generated the budget be considered first will be the same pressures that will push off the stimulus package again until after the spending cuts are done. So we may very well be into summer before this package is implemented.

And the reason I bring that up is that you mentioned in your testimony the GAO study that was done after implementation of the Emergency Jobs Act of 1983. I found the study's findings interesting. Mr. Chairman, I would like to enter the executive summary of this report into the record because the findings of the Emergency Jobs Act of 1983 tracks what we are doing here.

[The information follows:]

Executive Summary

Purpose

Between July 1981 and November 1982, the United States experienced the worst economic recession of the post-World War II period. The unemployment rate reached a record high of 10.7 percent, and nearly 12 million Americans were unemployed. To help stimulate economic recovery and provide increased employment opportunities for jobless Americans, the Congress made available over $9 billion to 77 federal programs and activities under the Emergency Jobs Appropriations Act (Public Law 98-8), enacted March 24, 1983. (See pp. 10 to 16.)

GAO, in response to a request from the chairman of the Subcommittee on Employment and Productivity, Senate Committee on Labor and Human Resources, monitored the implementation of the act and analyzed how effective and timely it was in providing jobs in the economy. Information was obtained on (1) when funds were spent; (2) when and how many people were employed; (3) how many unemployed persons were provided jobs; (4) what efforts were made to provide employment to the unemployed; and (5) what benefits, other than employment, were provided. (See pp. 16 to 20.)

Background

The act's objectives were to (1) provide productive employment for jobless Americans, (2) hasten or initiate federal projects and construction of lasting value, and (3) provide humanitarian assistance to the indigent. To the extent practicable, federal agencies, states, and political subdivisions of the states receiving the funds made available were to use them in a manner that quickly provided new employment opportunities for individuals unemployed at least 15 of the 26 weeks before passage of the act. Also, funds were to be obligated and disbursed as rapidly as possible. (See pp. 14 to 16.)

To determine how rapidly funds were spent, GAO used expenditure data reported by federal departments and agencies for 55 programs and activities and estimated by the Office of Management and Budget (OMB) for 22 others. Using these data and a macroeconomic model simulating the United States' economy, GAO estimated the employment effects of the act.

Information on (1) the unemployed who were provided jobs, (2) efforts made to provide jobs to the unemployed, and (3) other benefits provided was obtained from projects funded in six geographical areas and a nationwide sample of projects funded by 10 programs. Lacking complete data, GAO did not project this information to the programs surveyed. (See pp. 16 to 20.)

Results in Brief

Compared to past job creation programs enacted in response to recessions, the Emergency Jobs Appropriations Act was enacted relatively quickly following the beginning of the 1981-82 recession. Nevertheless, implementation of the act was not effective and timely in relieving the high unemployment caused by the recession.

Funds were spent slowly, and relatively few jobs were created when most needed in the economy. Also, from its review of projects and available data, GAO found that (1) unemployed persons received a relatively small proportion of the jobs provided and (2) project officials' efforts to provide employment opportunities to the unemployed ranged from no effort being made to working closely with state employment agencies to locate unemployed persons. Other benefits, such as humanitarian assistance and construction, were provided.

Principal Findings

A job creation program designed to alleviate unemployment effects of a recession is most effective if (1) legislation is enacted as soon as possible after the recession is identified, (2) funds are spent quickly and people are hired when the economy needs new jobs the most, and (3) funds are spent before the economy recovers. (See pp. 24 to 25.)

The act became law 21 months after the beginning of the 1981-82 recession—faster than the average 27 months between the beginning of past recessions and enactment of countercyclical job creation programs. Using the above criteria, the act would have been most effective had funds been spent by June 1984, 19 months into the recovery period. By then, the unemployment rate had returned to levels prevailing before the recession, and the 19 months of rapid growth in real gross national product had begun to moderate. (See p. 25 and pp. 37 to 38.)

Funds Spent Slowly

Most funds were not spent before June 1984. An estimated $3.1 billion, or about 34 percent of the funds made available, had been spent by then, when jobs were most needed in the economy. By June 1985, 2-1/4 years after the act's passage, about $4.5 billion had been spent, and about half the funds remained to be spent.

Expenditure rates among programs and activities varied significantly. For example, funds for public works programs, such as those that build highways or houses, were spent much more slowly than funds for public services, income support, and employment and training programs and activities. (See pp. 26 to 32.)

Few Jobs Added to Economy

GAO estimates that, as of March 1984, 1 year after the act was passed, about 34,000 jobs in the economy were attributable to the act's funds spent by that time. The employment increase attributable to the act peaked at about 35,000 jobs in June 1984, when about 8 million persons were unemployed. These additional jobs represented less than 1 percent of about 5.8 million jobs created by the economy since the act was passed. After June 1984, the additional employment attributable to the act began to decline and had decreased to an estimated 8,000 jobs by June 1985. Had all funds made available by the act been spent within the first year, GAO estimates that the peak employment effect would have been about 131,000 jobs. (See pp. 26 to 27 and pp. 35 to 37.)

Unemployed Did Not Benefit Directly

According to limited data available on projects awarded funds by the 10 programs GAO surveyed, a relatively small percentage of the employment directly created was provided to unemployed persons. By September 1984, no more than 35 percent of the people employed on projects in 8 of the 10 programs had been previously unemployed. (See pp. 53 to 55.)

Efforts to Provide Employment to Unemployed Varied

Some local officials made no effort to provide employment opportunities to the unemployed, while others required that those hired be certified as unemployed by state employment agencies. In 7 of 10 programs GAO surveyed, no more than 20 percent of the project officials indicated making at least a moderate attempt to hire persons unemployed 15 of the 26 weeks before passage of the act. No more than half of the project officials surveyed in seven programs made a moderate or greater attempt to provide employment to unemployed persons, regardless of how long they had been unemployed. (See pp. 55 to 57.)

Other Benefits Provided

Benefits other than employment were provided with the funds spent. Public libraries and roads were constructed; humanitarian assistance, including food and health services, was provided to the indigent; and public buildings and facilities, such as schools and parks, were rehabilitated. (See pp. 57 to 58.)

Recommendations

GAO recommends that the Congress, in considering any future job creation legislation in response to an economic recession, (1) emphasize programs and activities that historically have been able to quickly spend funds or that have projects available for immediate implementation so that jobs are created when most needed in the economy and (2) require that the responsible departments and agencies obligate and, to the extent practicable, spend funds within a specified time period. (See p. 62.)

Matters for Congressional Consideration

In deliberating any future job creation legislation, the Congress also may want to consider requiring federal departments and agencies to maintain expenditure, employment, and other information needed to evaluate the legislation and improve congressional oversight. (See p. 62.)

Agency Comments

In commenting on a draft of this report (see app. X), OMB stated that countercyclical job creation programs have generic problems and recommended against funding such programs in the future. GAO disagrees and believes its recommendations could enhance the effectiveness of such programs.

OMB said that the recommendation that funds of future job creation programs be spent within a specified time would be difficult to enforce and a prescription for wasteful spending. GAO understands the difficulty of enforcing such a requirement but believes that it, as well as one on obligations, is needed to ensure that jobs are created when needed most in the economy. If programs and activities that can spend funds quickly are selected, the potential for wasteful spending and enforcement difficulties is reduced.

Also, OMB stated that statutory reporting requirements would unduly restrict and burden the administering agencies and slow the rate at which funds are spent. GAO's efforts to obtain information on the Emergency Jobs Act, which did not have a reporting requirement for all federal departments and agencies, showed that comparable data were not available. GAO has suggested that only data essential to overseeing and evaluating the programs should be collected. (See pp. 62 to 64.)

Mr. DeLay. And I want to point out that the GAO recommends what the Congress, in considering any future job creation legislation in response to an economic recession, should. Number one, Congress should emphasize programs and activities that historically have been able to quickly spend funds and that have projects available for immediate implementation.

We had a big discussion about that here yesterday about how quickly they can spend the CDBG grants. They have to spend $6 billion, and they want to add another $2 billion on top of that and have promised to spend it by the end of next year. Secondly, it says, require that the responsible departments and agencies obligate and to the extent practical spend funds within a specific time period. Which we have done in the CDBG grants. I believe it is in the bill like that.

But in a big portion of this bill, on the transportation side, a subcommittee I serve on, it is open-ended. They don't promise to spend the money by any time.

The reason I bring this up is that I would like you to expand on GAO's findings. Have you looked at this GAO report in depth, and is it close to the same situation that we are now seeing in this stimulus package?

Mr. Mitchell. Well, if you look back through all the different anti-recession measures that Congress has passed in the post-war era, without fail every one of them has actually been enacted after the recession officially was over. And then, of course, once you get into issues like spend-out rates, even if you believe in the Keynesian theory, which I don't, which is why I mentioned in my oral remarks the spend-out doesn't matter to me because the faster the government spends the money the faster they are borrowing from the private sector which means funds are not available to small businesses seeking capital.

But, even if you believe that theory, to pass a jobs measure or an anti-recession measure after the recession has ended, and then with programs that spend money over time, even on the Keynesian theory, it doesn't make any sense.

Mr. DeLay. Do you have any expertise in Davis-Bacon?

Mr. Mitchell. Just some modest bit of work, knowing things like Davis-Bacon and 13(c) in the transportation side, there are some reforms that would actually allow the money being spent to create more jobs. But, again, when we are talking about creating more jobs, we are only looking at half of the equation. We are not looking at the part of the equation, which is what would that money have been used for if government didn't borrow it and what jobs would that have created?

Even if you get Davis-Bacon and 13(c) and many of the other reforms, I suspect you would still have net job destruction from additional government spending, because no matter how streamlined we try to make the government regulations I don't think they are going to use the money as wisely and efficiently as the productive sector of the economy will.

Mr. DeLay. Thank you, Mr. Chairman.

Mr. Stokes. Okay. Mr. Chapman.

Mr. Chapman. No questions at this time.

Mr. Stokes. Mr. Gallo.

Mr. GALLO. Thank you, Mr. Chairman, and I apologize, Mr. Mitchell, for not hearing your testimony.

This is a different type of recession, though. I have been in New Jersey all my life, and I have seen recession after recession, and this is one that has hit the so-called white collar group that never before was hit. I shouldn't say never, but, as long as I can remember, in my part of the State we never had the difficulties we have now. People with a great deal of expertise in areas that have lost jobs because of downsizing. We have a situation where even those that have not lost jobs are concerned about losing jobs. And what it does is, really, feeds the pessimism of recovery.

And, as you listen to some of these large companies that are laying off, what happens, of course, is productivity goes up because maybe, in many cases, they were bloated to begin with. But companies that never laid off before—IBM was one of the—I think that was one of their major selling points is that they never laid off people.

So this is a little different than recessions that I have experienced because they hit people that normally had no problem finding a job. Their biggest problem was maybe advancement, looking to other companies.

How do you explain that phenomenon?

Mr. MITCHELL. Well, I think part of it is independent of government policy in that if you look back, even during the 1980s, when there were 18 to 20 million new jobs created, there were no net jobs created by the Fortune 500. It all came from small business. So we always have had certain loss of jobs from big companies who, in effect, have peaked and may, actually, be in a decline.

What has happened in this recovery is that small business has not really stepped in like they have in past recoveries. And I think that, then, gets to some of the issues of the regulatory overkill; it gets to some of the issues such as the payroll tax burden that determine job creation.

I think sometimes it is forgotten here in Washington, but businesses are not charities. The only reason a small business will create a job is if they expect that the revenue generated by the additional worker will exceed the cost of employing that worker. And the cost of employing a worker includes taxes, it includes complying with all the labor and civil rights laws, includes complying with the Disabilities Act.

And, basically, the last couple of years we have increased that cost to small businesses hiring people. It has also been increased for big business. But they can spread that out over a bigger work force, and they have the accounting and legal departments already. For a small business it is very, very difficult.

There are other things I think that have contributed to the damage done to small business. The International Capital Standards, the Basel Standards that, in effect, make it much more profitable for banks to simply buy government debts than make loans to small business because government regulators will score government debts as non-risky and small business loans as risky.

So we have a perverse incentive situation. But there is a whole host of things going on in the economy, as there are at any point in time. Government policy mistakes, I think, are common among those.

Mr. GALLO. You mentioned a few programs, and I am a firm believer that small business is the locomotive that drives the economy and creates the jobs and there are ways, some being inexpensive, others a little more expensive on the short-term, but we will derive benefits in the long-term.

You mentioned a couple of investment tax credits for accelerated depreciation, capital gains reduction, and I would assume you would be talking about not just a one year, but the longer you hold, the greater the deductibility would be, so you would have some capital formation.

What other areas do you think could stimulate? I am a firm believer that in 1986 when that tax law—the new tax laws came in, that is when we started having our problems because we took away the incentives. And I recall a conversation I had with then-President Reagan and I indicated my reluctance to go along with that particular reform. But it seems to me that a lot of real estate investments, or the allowables, these are all things that stunted the growth and took away the incentives for growth.

Is that a fair analysis?

Mr. MITCHELL. No question that the 1986 laws substantially increased the tax cost of capital formations. If they had done something as simple as simply index depreciation schedules for inflation, I think they could have avoided at least the bulk of that error.

Whether or not one thinks the 1986 law, on net, was good or bad because of the reduction in personal rates I suppose is a debatable issue. But, clearly, on the capital formation side, lengthening depreciation schedules, increasing the capital gains tax, did affect incentive. Certainly has wound up to the detriment of many industries, such as real estate.

And undoing those mistakes, those elements of the1986 act would be very beneficial. Unfortunately, it looks like the part that will go to undue that are the reduction in personal rates instead of the other way around.

Mr. GALLO. One last question, Mr. Chairman.

We are dealing with the tax act of—the Budget Act of 1990, which I was concerned about it, but I know there were some mechanisms in there to reduce or at least hold down the spending of the Federal Government.

I know last year, during the appropriation process, subcommittees had a great deal of trouble dealing with the allocations because of the limitations put on growth and also the pay as you go attitude.

Do you feel that that particular act should stay in place or, as I understand it, with this new incentive and the budget process, that act will be lost and then, I don't know what. I think that is the way it happens.

What do you think? What effect do you think it would have if, in fact, the 1990 Budget Act were dismantled?

Mr. MITCHELL. By dismantling, if we were going back to the predecessor Gramm-Rudman, I would be delighted. My view of the Budget Enforcement Act on spending limitations is something like

80-miles-per-hour speed limits in school zones. They don't promote safety, but I shudder to think what would happen if we didn't have them.

Unfortunately, they only went through 1995 to begin with, and now with the Clinton budget, we are measuring spending cuts—and when I say "cuts," I mean baseline, not real cuts, as the American people understand it. They are measuring cuts against the uncapped baseline, not the baseline that is part of law. So, in effect, they are counting cuts that were already mandated in 1990.

In some sense, though, because it ends in 1995, I am not terribly sure how important it is going to be for the next two years. I view as a much greater problem the integrity issue of trying to double count cuts which were promised as a result of the tax increase in 1990 and then try to say you are going to take credit for the cuts again in 1993 and stick the American people with another tax increase for it. I view that as not exactly being consistent with the promised new era of integrity in the budget process that the administration spoke to.

Mr. GALLO. When I listened to the President, he said about $150 million in specific cuts. I was expecting, on reviewing those cuts, which we did not have at that time, to see some demonstrative thought process and new cuts. I looked at those cuts, and, frankly, those are the same cuts this Congress rejected, more than once, from both Reagan and Bush. And a lot of the cuts are actually increases in application fees, permits, and things of that nature; user fees, if you will, which were also part of the—some of the packages that were put forward by prior administrations, which were rejected completely by the majority party.

So I don't know where these cuts are so much as where these cuts are going to have any success if, in fact—on at least two occasions I can recall—they were rejected by the majority.

Thank you for your testimony.

Mr. STOKES. Okay.

Mr. Mitchell, on behalf of the subcommittee, I want to thank you for your appearance here this afternoon. You have been very helpful to us, and we appreciate it.

Mr. MITCHELL. Thank you.

Mr. LEWIS. Thank you.

Mr. STOKES. Our next witness is Mr. Paul Craig Roberts.

Mr. ROBERTS. Thank you, Mr. Chairman.

Mr. STOKES. Hello, Mr. Roberts. We are pleased to have you here with us this afternoon. We made reference to the fact that you were going to appear here earlier before your arrival. And we also acknowledged some of the organizations that you have been associated with and so forth.

You may, at this time, just proceed with your statement.

Mr. ROBERTS. Well, Mr. Chairman, if I may mention, I was a staff associate with one of the appropriations subcommittees back in Mr. Mahon's day, and I watched them spend money then and have watched them spend money ever since, and I am sure you are going to keep on doing that. The President has given you an opportunity to spend a little bit more maybe than usual.

What I have to tell you is this is not a deficit reduction package; it is not a stimulus package; and it is not any change. My Republican friends might not like that last point.

If we take this plan at its face value, in its own terms, it is adding over the next four years—it is adding $916 billion to the public debt. That is what it says it is doing. It is not my opinion that is the budget review. $916 billion will be added to the public debt in the next four years.

Now, I want to put that figure in perspective for you. That is $183 billion more than Reagan's cumulative first term deficit. And it is $238 billion more than Reagan's cumulative second term deficit. Now, we have to remember that Reagan cut the tax rates 25 percent, built up the defenses, and still added $200 billion less to the deficit than this plan, which is raising taxes and building down the defenses.

Now, President Clinton said that the Reagan program was a failure because it added to the public debt. Well, if we apply that same criteria to this program, it is obviously going to be an even bigger failure. It is not deficit reduction. It is almost a trillion dollars in new public debt, on its face, assuming it works, that all goes through as is.

Now, it is not a stimulus package. I studied with every kind of economist, and there is no known theory of economics—and I have never heard one espoused in my lifetime—that raising taxes stimulates the economy. It certainly is not a stimulus program when the tax increases dwarf the increase in government spending. It is not even a wash. This is a recessionary program, in anybody's fiscal theory.

You get Paul Samuelson up here, you get the Brookings people up here, you get anybody you want up here, this is not Republican economics you are hearing; this is economics. There is no such thing as a stimulative package or a stimulus when the net effect contracts the economy.

And even if we assume that increased government spending on infrastructure will do what it says it will do, it is small. It is a small force compared to the contractionary effect of the taxes.

So what you are talking about is something that is not a deficit reduction package in its own terms, and it is not a stimulus package. It is also not change. This is patterned on George Bush's 1990 budget plan. In fact, it is an exact parallel. What happened in the budget deal? The marginal tax rates were raised from 28 to 31 percent. That was Bush. From 28 to 31. From Clinton, it is 31 to 36 and 40 for the surtax. So we have a rise in marginal tax rates.

We have an energy tax. Bush had an energy tax. It was a gasoline tax. Here we have something called a Btu tax. It is an energy tax. And we have the stimulus spending; Mr. Clinton calls it "infrastructure." For Bush it was a transportation bill. And Bush's transportation bill, if I remember correctly, was larger than the Clinton stimulus package.

So if we look at it, it is an exact parallel. Mr. Darman is still over there in the White House. This is Darman II or Stockman IV. This is the fourth time we have gone through this rigmarole. Every time the deficit has gotten bigger.

Now, if you want to spend some more money, nobody can blame you, that is the nature of an appropriation committee. But don't fool yourself that this is a deficit reduction or economic stimulus or change. It is not. Mr. Darman is still alive, he is down there, and he designed this package; and it is less fiscal stimulus than Bush gave. Bush's transportation bill was bigger public works than this package.

The tax rates here are rising more than Bush's, so it is going to contract more than Bush's. It is not going to stimulate as much. And the energy tax, unlike the gasoline tax—not unlike it, but more like it—is going to raise cost of production and squeeze profit margins. And, therefore, some of the money from the energy tax will be lost from lower corporate tax collections and the general—negative impact on the growth of the economy.

And these are not, in my view, controversial points. I think if Paul Samuelson were sitting here, he would tell you exactly the same thing.

So with that said, let me make just one other point, and I will turn to your concerns. The public sector has not been starved. The budget shows that between 1980 and 1992—the 12 awful Republican years—the budget of the United States Government increased 134 percent, far faster than the growth of the economy. This obviously cannot go on forever. It can go on a while longer, but when the government's budget grows faster than the economy that supports it, the whole thing falls apart. It is not possible. Not even the United States can do that.

Now, the question really is, does the deficit matter? And can you do anything about it? And I think that the Congress hasn't made up its mind about the deficit. It has been a political football for 12 years. Reagan is gone. So you ought to, now, make up your mind whether the deficit matters or it doesn't matter.

If it does matter to you, there is only one thing you can do about it. I believe I am correct if I say there are no known cases in history of people getting out from under debt except by growing out from under it.

We financed World War II with borrowing. At the end of World War II, the accumulated public debt was 127 percent of the GNP, far higher than now. We did not get out from under that by raising taxes.

What we did, we stopped adding to the debt and we let the economy grow, and the growth of the economy—the level of debt didn't change; but the growth of the economy made the debt a smaller and smaller burden. And it fell throughout the post-war period until recently.

When the British fought Napolean for 20 years, they financed it with debt. When they finally beat him, they concluded that they had lost. The country was just absolutely immersed in debt, and they would not survive. The industrial revolution lifted them out of it.

I don't know of any examples of tax increases lifting any country out of debt. And the reason is not just that they feed spending, but the static revenue projections are always misleading because they assume the taxes don't have any behavioral effects; that you are going to have the same amount of employment and the same amount of business sales, the same amount of GNP with the taxes as without them; and that is not true.

So the static revenue projections that come out of the Joint Tax Committee, and the Treasury are always misleading. They will always over state, I would say, by half, the revenues that you are really going to get.

Since the taxes impact the economy, it doesn't do as well. It doesn't produce the revenues. What, then, could you do about the deficit if you thought it was a problem? The only thing you can do is to have an overall freeze on the budget.

If this had been done under Ronald Reagan, an 18-month freeze would have gotten rid of the deficit, because of the growth in revenues. For example, between 1985 and 1989, annual revenue growth averaged $64 billion a year. If we just take that—and that wasn't any unusual burst or anything. If you just take that, project it into the future, if you froze the budget for three years, twice as long as it would have taken in the '80s, the growth in revenues would get rid of the deficit. Just the automatic growth in the revenues. They grow every year. Automatic growth would get rid of the deficit.

Now you say, we can't possibly freeze the budget. What about entitlements? What about interest on the debt? I want to point out something to you. If the budget of the United States Government was an economy, it would be the third or fourth most powerful economy in the world. The budget of the United States Government is about the size of the gross domestic product of Germany or France. The budget of the United States Government is larger than the GNP of Great Britain. It is one and a half times the size of the gross domestic product of all of Latin America. And it is almost three times the size of the GNP of Canada. You have got a budget—the United States Government budget is as large as the total output of the French Nation, as large as the total output of Canada and Latin America. I am not talking about their government budgets. I am talking about the total production of those countries, of those areas.

Now, that is a big amount. And there is a lot of room in an amount that big. There is a tremendous amount of room in something that big. It is a big figure. Especially, there is a lot of room when defense expenditures are falling. And when we have people, for example, Citizens Against Government Waste, Alan Keyes, this organization, which claims to have documented $167 billion dollars in annual waste, fraud, and mismanagement—that is about twice the size of the annual growth in medicare, social security, and interest payments.

Now, I called up GAO, the General Accounting Office, to ask what they have to say about this $167 billion? And they confirmed $150 billion in waste, fraud, and mismanagement. It is not exactly an annual figure, because it involves government inventories. And they don't know how much of it is annual and how much is accumulated. And it doesn't count things like the mismanagement of the S&L bailout because it costs so much more. And it doesn't count the uncollected IRS taxes and other items, that $150 billion.

Now, if you have got a budget that is the third or fourth largest economy in the world, you have $150 billion in waste, fraud, and mismanagement, you have declining defense expenditures, you can, very easily, freeze it and still make all legitimate program needs. It is not really even a challenge.

That is all I have to say.

Mr. LEWIS. What we have going on here is a vote taking place. The Chairman will be back. And I will go up and vote.

Mr. ROBERTS. I understand.

[Recess.]

Mr. LEWIS. Paul, let me say we appreciate your coming. We are looking for public input. And your contribution is very helpful for our record, without any question.

Mr. Chairman, I have not gone to vote; but I probably should do that.

Mr. STOKES. Okay. Why don't you do that. We will ask a couple of questions until you get back.

Mr. Roberts, let me ask you this: You posed the question—you say, can you do anything about the deficit if you thought it was a problem. Inherent in that posing of the question, it would seem to me, is the fact you, perhaps, do not think of it as a problem.

Mr. ROBERTS. Well, Mr. Chairman, I don't think the deficit can continue to grow as a share of national income indefinitely without it becoming a problem. To say that the accumulated public debt is a problem now is problematical since it is not even half the size it was in 1946 as a share of national income.

As I said, when we came out of World War II, the public debt was 127 percent of the gross national product. But there is another way in which you can say, well, it is becoming a problem; and it has become a problem because we are now calling a deficit reduction program something that adds almost a trillion dollars of public debts. That means we are fooling ourselves.

It is becoming a problem because, as I said, back in the 1980s, an 18-month freeze would have gotten rid of the deficit, because it lets the revenue growth catch up with the growth in spending. That is how the freeze works. It just holds the spending where it is until the revenue growth catches up. As I said, in the latter part of the 1980's, which were not the strongest part, the revenue growth was about $64 billion a year.

Now it has gone from 18 months of a freeze to let revenue growth catch up to three years. If we keep on, if we have another four years of adding to it, it is going to take longer than the three-year freeze; and at some point the freeze becomes so long that nobody can contemplate it. You know, it is kind of hard to think that widows and orphans would be thrown on the street if you had an 18-month freeze because they might not get the same amount of money they got last year. It is really kind of hard for three years. But when you get up to 7 or 10 years, then you are talking about something that is of a different magnitude.

Therefore, it may be that even though the deficit is not a problem, since we can finance it—we can finance it with falling interest rates. We have got the biggest deficit ever and the lowest interest rates; right? But we are getting into a situation where it is going to get away from us? Because as I said, you cannot deal with it with higher taxes. Higher taxes will not reduce the deficit. If it did, Stockman I would have done it; Stockman II would have done it, Darman would have done it.

We have had some major tax hikes. Major ones. And we still—if you look at Darman's budget following the 1990 budget deal, it projected a balanced budget in 1995 and a surplus in 1996. And now Mr. Clinton's projecting $300 billion baseline deficits.

Well, this tells you that the static revenue estimates are no good. And this tells you that the impact of taxes on the economy is different than just raising revenues. And we already knew this. We had TEFRA with Mr. Stockman; we had a big tax hike in 1982 and one in 1984.

If you remember, the Tax Reform Act, which was going to be a neutral—a revenue neutral thing; right, it would cut tax rates and pay for it by closing all these tax expenditures? And I remember very distinctly the Treasury and the Joint Tax Committee said that the real estate provisions in that bill would raise $33 billion in revenues. And they cost us, what, 200, $500 billion? They collapsed real estate values. They wiped out all the creditors. We had the S&L bailout. What is the cost of the bailout? That was the implication of those three provisions that were supposed to raise $33 million? They cost us a huge sum. This is one of the reasons the deficit got bigger; we put that on the budget.

So to answer you, right now, I don't think the deficit is a threat. What is a threat is if we keep adding to it and we call it a deficit reduction package when we add a trillion dollars to the national debt. And we let this go on such that it takes time to freeze the budget for revenue growth to catch up with—it gets so long nobody can contemplate it politically. Then you have a real problem.

And that is why I said that this approach is not deficit reduction; it is not a stimulus package; and it is not change.

Mr. STOKES. Mr. Lewis, I yield back to you.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Roberts, taxes are for real when implemented. They begin developing revenue immediately.

Mr. ROBERTS. They affect behavior of the people that can respond.

Mr. LEWIS. The domestic spending side is not necessarily the same. We create a program that, theoretically, will deliver stimulus, if you will, by way of spending in a highway program and all kinds of other things.

But current economic indices would indicate some gradual growth and improvement in the economy. GDP is rising faster than expected at an annual rate of 3.5 percent this year following 3.8 percent growth in the last quarter of 1992. It is suggested that unemployment fell to 7.1% from 7.3%

Those major indicators, housing starts, et cetera, would suggest that the claims about a disastrous economy may be overstated. What do you think are the most critical factors in sustaining whatever improvement we have had?

Mr. ROBERTS. If you're asking whether or not there is anything in the state of the economy now that justifies the emergency designation that lets you get away from all the budget caps, no. No, there is none. And you wouldn't be able to get any economist to come here and tell you there is.

But my point is, even if you could convince yourself that we have an economic emergency and you must take action to stimulate the economy or lose the recovery, I am willing to say—let us assume that is true. This is not a stimulus package. It will not help the economy.

Therefore, what you are doing, you are further eroding the integrity of the budget process for something that is not even a stimulus package. It will not provide net stimulus to the economy.

Look, Bush's package was more of a wash. Bush's transportation bill was about, I think about the size of the tax cut. This stimulus package is—I mean a tax hike. This stimulus package is not the size of the tax hike. So what happened to Bush? He got fired.

This situation is more of a net contractionary effect. So how is it, why—what you are doing here—if you had a raging inflation going this would be the sort of thing you needed to do.

You pick up anybody's textbook: What do you do when do you raise taxes, much less in a broad general way like this, when you are trying to cool the economy down?

The new spending is a small percentage of the tax hike. It is not even a wash. It is an overall restrictionary contractionary policy. So to say that we are having an emergency and we have to have a stimulus package and we have to get rid of the budget caps—or whatever they are called these days—to do something that is going to constrict the economy doesn't make any sense.

Do you see what I mean? Your question is, do we have an emergency? I think we are going to have one if we get this bill passed. If this program passes, we are going to have an emergency. Then you will have to get rid of the spending caps to stimulate the economy. But this program does not stimulate the economy.

Mr. LEWIS. We are just beginning to evaluate the spending cut side of this proposal that is before us, 150 items.

I am not sure if you looked at all of them—I have clearly not. But to illustrate a piece of our preliminary discussion—one of them affects my district—it provides an added fee for the extraction of hard rock minerals. But those are the minerals or items that end up going into housing material and making glass. And it seems to me, an increased fee may reduce the deficit but it is not a spending cut. But give me your reaction to that general concern.

Mr. ROBERTS. It is just a deterioration in the use of language. User fees, taxes on social security income, these are not spending cuts. They are taxes. And people don't get fooled by this. They just get turned off, you know. They just get turned off. I mean the person whose social security is going to rise from 50 percent up to 85 percent, he knows that is not a spend cut. It is his spending cut. Consumer demand is going to fall.

If Paul Samuelson were here, he would tell you that if you do that, you are going to constrict the spending stream. Consumption will fall and GNP is going to fall. Therefore, investment is going to fall. Because what drives investment? Spending.

Why in the world is a businessman going to invest more when consumers are going to be spending less? I used to sit up here in the staff and listen to Sampson make that point two times a year, and everybody understood it. And now we have a program that doesn't understand it at all. It doesn't make any sense on its face.

Mr. LEWIS. Mr. Chairman.

Mr. STOKES. Mr. Chapman?

Mr. CHAPMAN. Do I understand that your prescription is a budget freeze?

Mr. ROBERTS. What I said, Mr. Chapman, is if you want to do something about the deficit, it will come to that or you are not going to do anything about it. There is no other way to deal with it. I am stating categorically—and I am totally confident about it. We have had so much experience. How long have you been up here?

Mr. CHAPMAN. Probably too long. But eight years.

Mr. ROBERTS. You have lived through several budget deals with tax hikes; and, the deficit, where is it? Has it gone away? Have any of these things worked? Go back and look at the projections Stockman I, Stockman II, Darman. Why do you think it is going to be different this time? You are doing the same thing again.

So if you can't deal with it that way, the only way you can deal with it is with a budget freeze. And there is no other way you can deal with it. It is not saying this is the way I think you should do it or I would prefer it because I prefer private spending to government spending. Or I think the money is better used in the private sector than the public sector. It wouldn't matter what I thought about that.

What I am telling you is, if anything is ever to be done about the deficit, it will come to a freeze or a partial freeze. What it is going to come to is that the government's spending, every, year grows slower than the revenues. And until you are on that track, you cannot do anything about the deficit, and you cannot say, ah, we can make the revenues grow by raising taxes. It is not going to work. It hadn't worked.

This is—as I say, this is the fourth time in 12 years we have tried this in a big way. It didn't work for Bush; it didn't work for Reagan.

Or there is one other way to deal with it. You can take over the Federal Reserve and start printing money, and you can take the indexation out of the personal income tax. And then you can inflate everybody into higher brackets and confiscate more of their earnings. That is the only other way. I don't think the American people are going to let you do that.

Mr. CHAPMAN. You think the American people are going to let us freeze entitlements?

You are not suggesting we default on the national debt, I assume?

Mr. ROBERTS. Mr. Chapman, I pointed out to you, I am talking about an overall freeze of the budget.

Mr. CHAPMAN. And you understand, of course, the largest percentage of the budget is in the entitlement programs?

Mr. ROBERTS. As I also told you—unless I misread the figures; I didn't have much time; I checked—the annual growth in social security, medicare, and interest on the debt is less than half of the alleged waste, fraud, and abuse in the government budget.

You also have declining defense expenditures to absorb some of this.

Mr. CHAPMAN. Are you suggesting additional cuts in defense other than what has been recommended?

Mr. ROBERTS. No. You have already got—a frozen budget already has in it declining defense expenditures. So you have got—and as I pointed out, you have to understand how much money you are spending. You are spending a sum equal to the total gross national product of Canada and Latin America.

Mr. CHAPMAN. I heard that.

Mr. ROBERTS. That is a lot of money.

Mr. CHAPMAN. I heard you say that. And people talk in terms of big numbers. I am asking for specifics now.

And I am asking you, do you think that, if you set aside the total percentage of the national budget—you didn't answer whether or not you would recommend we default on the national debt. I assume you wouldn't recommend we not pay interest on that?

Mr. ROBERTS. There is no reason for you to even think about defaulting.

Mr. CHAPMAN. If we look at the charts, the charts will tell us that interest on the national debt and entitlements spending is now close to 70 percent of the budget.

Back when you were here as an associate staffer with Mr. Mahon, the figures were exactly reversed, 70 percent of the Federal budget was discretionary; it went through your committee. Now it is only about 30 percent, maybe a little less.

Mr. ROBERTS. That is right.

Mr. CHAPMAN. And the question I am asking is, do you think—you are talking about a freeze. What is politically doable?

And I am not saying I necessarily disagree. I am asking about your thoughts on this—the political realities of how long that freeze would have to last, unless we change something, get to be just a political nightmare.

And I am asking you if you think, what you suggest, a three-year freeze of entitlements is not a political nightmare today?

Mr. ROBERTS. I don't know.

Mr. CHAPMAN. Do you suggest that's——

Mr. ROBERTS. I don't think it is, Mr. Chapman. If I had to do it, for example, I would say, look, you see what is happening?

A few years ago social security benefits were not taxed, and Russel Long said—I remember that when Stockman put that tax in and broke the historic contract with the American people, because Russel said we would never tax social security income. This was the clear intent that was understood by everybody, and so they taxed it.

So now it is 50 percent. You have to understand, Mr. Chapman, this just doesn't get the rich; it is 25,000 if you are single, 32,000 if you are married. And they are not indexed. They are not indexed. I am talking about private income you can have before your social security. So you can say now, so we are already taxing half of social security income; and now we have a proposal to tax 85 percent of it; and before long it is going to be 100 percent.

So what do you think the American people would rather have, a three-year freeze on the COLAs or 85 percent tax of their social security income? I think they are going to tell you, give us the three-year freeze on COLAs, especially with inflation so low. I think that is what they will tell you, because they are going to lose it one way or the other.

Do you think they are so afraid of losing a COLA for three years but they don't mind having 85 percent of their taxes indexed forever? And everybody will grow into that because they are not indexed. You see what I am saying? It is like the income tax. When income tax came in in John Kennedy's day, almost everybody in the country practically was in the bottom bracket. By the mid to late 1970s you had 34 percent of the people in the upper brackets. Well, that is what is going to happen to the population with this thing on social security.

So I don't think it is so hard to sell. But that is not what I came down to tell you. I came down to tell you, it is not a deficit reduction package, not a stimulus package; and it is no change; that you cannot deal with the deficit by raising taxes. It will not work. It is not going to work.

And if you keep adding this kind of debt—look, why are you having a budget deal with $109 billion dollars in new spending when the problem is already that the spending is growing faster than the revenues? See? If you don't want to freeze it, just make the rule that the government can't spend any more than the revenue growth. That will at least stop the deficit from growing. That would freeze the deficit.

If you froze the $200 billion deficit, you know, after five or ten years the economy continues to grow, it wouldn't be all that bad. So if you don't want to freeze the budget, freeze the deficit and say, we will spend every cent of new revenues that the economy growth produces but not a cent more. That freezes the deficit. That is the second best solution. In my view it solves the problem because we are starting with less debt than we had after World War II. We freeze the deficit, the economy's growth will take care of it eventually.

But let me ask you, Mr. Chapman, what would you tell the people that you are going to tax their social security benefits from 50 to 85 percent and you are still going to add a trillion dollars to the national debt?

Now what kind of deal is that? Because that tells them it is not over with. They are going to be back next year, and they will want more than 85 percent tax of my social security benefits because this plan adds another trillion dollars. In other words, you are adding to the debt faster than the economy is growing.

So why wouldn't they accept a freeze on entitlements? Just say it's that or it's this. I think it is clear which they would take. But you have to first convince yourself that the deficit matters enough that you don't spend as much. And I don't think there has been any serious thought about this, Mr. Chairman. I think it has been a political football. It was a way to beat Ronald Reagan in the head, a way for him to beat the Congress in the head. You both used it as a club to beat each other in the head, and the whole thing has been a big political thing. And nobody has really thought about whether it has merits or not. And if it does matter, what can we really do about it?

But, obviously, this is not really doing anything about it. And you have probably heard this before. And the more time passes, the more leeway you lose. After you have taxed 85 percent of social security benefits, you only have 15 percent left. You have used 85 percent of that way to raise taxes. Do you see? And we have gone from an 18-month freeze to a three-year freeze just to let revenues catch up with spending. So what is it going to be like four years from now? It will be a lot grimmer.

And then what are you going to do? Seize the Federal Reserve and start printing money? And then how will that help the poor or anybody? It will not do anything for anybody. It will cause chaos and turmoil. And the dollars in the reserve are the currency of the world, and the whole world will go down the tubes.

At some point these things matter, and particularly when I see the kind of language that we use to fool ourselves. And there is no reason to repeat the Bush/Darman mistake, much less in a bigger way. If this worked, Bush would be president. It didn't work. What have you got a George Bush/Richard Darman policy for? What is that coming out of a Democratic White House for? Doesn't make any sense. Change? This is not change.

Mr. CHAPMAN. Well, if it doesn't work, maybe Mr. Kemp or one of Mr. Lewis' other colleagues will be president in three more years. We will see.

Mr. STOKES. Okay. Anything further Mr. Lewis?

Mr. LEWIS. Nothing further.

Thank you very much, Paul.

Mr. STOKES. We certainly thank you Mr. Roberts. Nice to have you with us.

This, then, concludes our hearings; and the committee is adjourned subject to the call of the Chair.

SUBCOMMITTEE ON THE DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS

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Subcommittee Staff

TUESDAY, FEBRUARY 23, 1993.

DEPARTMENT OF TRANSPORTATION

WITNESSES

HON. FEDERICO PEÑA, SECRETARY OF TRANSPORTATION

KATHERINE E. COLLINS, ACTING ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

CHAIRMAN'S OPENING REMARKS

Mr. CARR. We will call this meeting of the Transportation Appropriations Subcommittee to order for the purpose of taking testimony on the fiscal year 1993 supplemental request. I might indicate that I had a brief conversation with Mr. Wolf and he will be here presently, but in the interests of conserving time, the appointed hour having arisen, I don't see any purpose in delaying.

Secretary Peña, we welcome you here today in your first appearance before the House Transportation Appropriations Subcommittee in your new position as Secretary. Of course, you are no stranger to these surroundings, having testified here as mayor of the City of Denver.

I view these hearings as very important. The underlying health of the economy is not good. And, as the President has said, the cost of doing nothing is too great. Unemployment, particularly in areas such as the one I serve in Michigan, is too high. Simply speaking, we need jobs. We need to do something. Also, it is clear that our economy needs long-term investment in public infrastructure that will give our economy a positive rate of return for the years ahead.

It is in this context that we receive the details of the economic stimulus package from the Secretary today. The Members of this Committee pledge to work with the President and you, Mr. Secretary, on getting the job done.

Well, ladies and gentlemen, one of the basic roles of the Committee on Appropriations is oversight. It is our duty to ensure that the funding requests are properly justified and that the programs are executed. And this is just what we are going to do today.

Mr. Secretary, there appears to some that there is a rush to judgment concerning the President's proposed stimulus plan. Some people seem to be so intent on moving this legislation quickly that it almost makes one wonder if it can withstand tough scrutiny. Additionally, this proposal has caused some confusion. Part of it is concerned with short-term job creation and some of it is concerned with long-term economic investment, and seemingly, some of it is concerned with a bit of both.

If the administration's plans are well thought out and they can be easily understood, then they will also easily withstand thorough examination. But if they are not, we owe it to ourselves and to the people who will pay the bill for these programs to get any weaknesses on the record. Only in that manner can the proper changes then be made.

Earlier this month the subcommittee held a hearing on infrastructure spending and its relationship to economic development. We heard testimony from several noted economists and others. Almost unanimously, the economists believed that while transportation infrastructure spending is worthwhile, it is not a good way to try to stimulate the economy in the short-term. They also felt that transportation and other public works type spending rarely created jobs quickly.

Some of the witnesses cited the experience of the last stimulus bill, the Emergency Supplemental Act of 1983. According to a General Accounting Office review of that legislation, only 42 percent of the public works funding in that act were expended within 27 months of its passage.

As I currently understand it, I have several concerns with the President's proposals. I appreciate the political attractiveness of pledging to fully fund the ISTEA, but especially halfway through the fiscal year, it means that we will be more than fully funding ISTEA. I am not sure this is an effective and efficient use of additional funding.

I also have questions about the additional and, it seems to me, a rather arbitrary requirement that States only have 60 days with which to obligate the highway money. In fact, they not only have to obligate the highway money, they have to have received bids on it. And all this must be done at the same time that many States are going through their normal bid process to get funds out for the summer construction season. This is especially critical in States like Michigan, northern tier States which have a short construction season.

I am not yet convinced that simply increasing the obligational limitation for ISTEA is the best way to proceed. Among other things, this opens us up to the possibility that funds will be used for things that are not really transportation related: historical preservation, bicycle trails, wetlands mitigation and the like. I am not sure that we should be spending money that we don't have on efforts like that, particularly if the goal is short-term job stimulus. These may be wonderful goals at another time.

I am also concerned that the rush to create jobs and to spend this money quickly may result in the quick projects being funded rather than the good projects. I wonder if it is better to use these scarce revenues toward rehabilitation, resurfacing, and restoration. These would provide a quicker spend-out, a longer term investment, and incidentally create more jobs in the meantime.

So with that preface, Mr. Secretary, and until Mr. Wolf arrives and maybe has opening remarks, which we will break for, I welcome you once again to the Committee. I want to thank you for keeping us informed. We have had a little bit of trouble getting information out of the administration on what was being proposed. I can understand the problems in doing that, but I can say that you, Mr. Secretary, have always been available and have given us the information as you have had it. I look forward to working with you in the next few years.

Secretary **Peña**. Thank you very much, Mr. Chairman. Let me tell you, it is an honor to be here.

Mr. **Carr**. Excuse me. I might ask my colleagues, Mr. Coleman and Mr. Foglietta, if they have any opening remarks they want to say.

MAKING CRIME A FEDERAL PRIORITY

Mr. **Foglietta**. Yes, Mr. Chairman. I thank you. Mr. Chairman, Secretary Peña, it is certainly a privilege and an honor to have President Clinton's package considered here today on my second hearing as a Member of this Subcommittee. The measure that we are about to consider is essential to restoring vitality to my own city, Philadelphia, and cities like it throughout the Nation. With this energy and commitment, we will meet these goals.

At the same time, we will be making cities a Federal priority again, begin to rebuild urban America, and put thousands of urban residents back to work. I look forward to discussing the details of this plan with you today as we go through the testimony.

Mr. **Carr**. Mr. Coleman?

SOUTHWEST BORDER TRANSPORTATION STUDY

Mr. **Coleman**. Thank you, Mr. Chairman. Let me just say as a representative from the border region, U.S./Mexico border, El Paso, I would first of all welcome you, Mr. Secretary. I look forward to someone who understands the problems along the U.S./Mexico border, being in a position where we can in fact really begin to revitalize the economy as well as tend to the true needs that this country is going to face, certainly in light of a proposed North American Free Trade Agreement, and as I have said for a long time, whether we have that agreement or not, the problems still exist.

We have been unable to handle trade and commerce with our neighbor to the south under the current statutes and laws. We have too much traffic, we have not enough infrastructure having been dealt with, and I would note, Mr. Chairman, that this committee last year, as well as our counterparts in the Senate in the conference, did appropriate $2.5 million for the Secretary of Transportation and the Federal Highway Administration to implement a five-year southwest border surface transportation study for fiscal year 1993 as outlined in that House report.

And I would hope that that authorization by Section 6015 of ISTEA will permit us to really utilize that information in a way that makes sense for all Americans, for all taxpayers to understand it is in their benefit as well to facilitate border commerce. I would strongly urge your department, Mr. Secretary, as well as the entire Clinton administration, to take the recommendations from that study to heart to see if we cannot do what it is that all Americans are asking us to do.

I really anticipate that that study will reveal deficiencies in airport passenger and cargo systems, roads, bridges and highways. I have initiated in addition to that, I should tell the committee, a review of the facilities and personnel along our international ports of entry. I think the term infrastructure is too often not understood in including people. And having served on the Treasury Postal Subcommittee of the Appropriations Committee, I can tell you that oftentimes this concept of cutting back in personnel does no good in terms of facilitating that commerce, when in fact, the Customs Service is a net gainer for the United States Government, if we do our job and do it correctly.

So I look forward, Mr. Secretary, to your testimony and I appreciate the opportunity to make an opening statement, Mr. Chairman. Thank you.

Mr. CARR. Thank you. Mr. Secretary?

SECRETARY PEÑA'S OPENING STATEMENT

Secretary PEÑA. Thank you, Mr. Chairman. Let me first formally submit my prepared remarks for the record. I will not read the remarks.

Mr. CARR. Without objection, that will be included.

Secretary PEÑA. Thank you. As I was going to say earlier, I look forward to working with you. It is good to be here in a different capacity. I look forward to providing you with as much information as possible, and I appreciate first of all the fact that you were able to reschedule this hearing. As you know, I had a request late last week to be in Seattle with the President, and so I appreciate that courtesy.

Also, to the other Members of the Committee, as a former mayor, I very much understand the plight of the inner cities like Philadelphia. I know your past mayors, know them well. I think one of the unique aspects of the new administration is you now have two former mayors serving on the cabinet who sit in critical positions which can be very helpful to the inner cities. I look forward to working with Secretary Cisneros on the HUD area and I think we will be able to address those issues in a more comprehensive fashion.

And to the Congressman from Texas, as a young man who was raised in south Texas, you are right, I understand the border economy. I can recall that while the rest of the Nation was doing well, we had unemployment rates of 15 or 17 percent in towns like Brownsville. Many of the downtown shops were boarded up because the Mexican economy was not doing very well, but oftentimes the rest of the country is not aware of the border economy and how important that is to people and to industry along the border.

So I look forward to working with you on your concerns.

Mr. COLEMAN. Thank you.

Secretary PEÑA. Mr. Chairman, let me just briefly set forth the basis for my more specific testimony this morning by going back to the President's comments last week as he faced the Nation and spoke to America about his genuine belief that the highest priority for our Nation today is revitalizing our economy, putting people back to work, making this economy more globally competitive.

Despite all the issues that this administration has been dealing with in the early parts of the administration, this is our highest priority. As we all know, the President laid out a three-part strategy during his address to the Nation. First was the stimulus package which I will address more specifically. A $30 billion investment in our economy because of our very strong belief that we need sort of a booster shot. I would rather use that term than a stimulus.

A lot of people don't understand what a stimulus means, but a real booster shot for our economy to get people back to work and to get the economy moving again. And then the second part of that strategy of course was a longer term investment strategy, reflecting a very strong belief on the President's part, and I think on the part of many Americans and Members of Congress, that for too long we as a Nation have not made the long-term investments that other countries around the world have made many years ago, as a result of which they now are benefiting from their long-term investments in infrastructure and in people, and we now have to do that.

And the last piece, probably the most controversial, but one that I find gets the most attention when I am out speaking around the country about the three-part package, is the commitment to deficit reduction. We get the loudest applause when we talk about deficit reduction, even though it is a little more complicated to understand. But I think the American people see this President as making a significant commitment in that area.

Let me address my comments to the first part of the economic program, and that is the stimulus program. It is, as you know, Mr. Chairman and Members of the Committee, a $30 billion investment in a number of areas ranging from transportation to the environment to housing, education, and of course a very large piece of it is tax incentives for the private sector, because as the President stated last week, he strongly believes that the private sector is really the engine of the economic growth in our country.

Of that $30 billion, about $16 billion will go into actual spending for things like transportation and the environment, et cetera. As you know, about $4.1 billion will be going into the area of transportation. So it is a little over 25 percent of the total $16 billion that is committed to transportation. That $4.1 million includes about $3 billion for full funding of the Federal-aid highway part of ISTEA.

Let me parenthetically say here that for some time now one of the more common refrains which I have heard from Members of Congress, and from people throughout the country, governors and mayors and individuals representing the construction industry and others, has been let us fully fund ISTEA. And so I think this President has finally listened to those requests and said, at least in the area of highways, let's finally fully fund ISTEA.

In addition to that provision, $750 million is for transit grants, $250 million for airport grants, $188 million for Amtrak. I understand that the acting modal administrators are here today and they will be addressing specific questions you might have in any of those areas.

The rationale, Mr. Chairman and Members of the Committee, is very straightforward, although I am sure economists can disagree on economic theory, as I am sure a group of lawyers like myself could disagree about legal theory. At any rate, it is the view of this administration, from an economic investment perspective, that what is missing from this particular recovery, unlike previous recoveries we have seen in our Nation, is job creation. It is not an accident that we were in Seattle yesterday at the Boeing facility, with the announcement of the loss of 28,000 jobs, not only in Seattle, but in other parts throughout the country where Boeing has facilities.

We have all read in the past three weeks literally tens of thousands of job cuts announced by various companies, just in the airline industry alone, not including other sectors of the economy. And so our strong feeling is that, while we are seeing some economic indicators suggesting that the economy is turning around, what is missing from that so-called recovery is job creation. And that is the fundamental reason we believe we need a stimulus now.

The process that we would like to use to ensure that the stimulus has an effect quickly is as follows: One, we propose using current programs and current criteria that exist primarily in ISTEA. States, cities, other parties already understand how these programs work. We think that, if we were to start adding new criteria, or new programs, it would create some confusion and would probably stand in the way of getting the funds out as quickly as possible.

In addition to that, we are going to focus on areas that we think allow for quick spending. Resurfacing of highways, bus and van purchases, runway and other airport improvements, Amtrak station improvements and equipment overhaul, areas where we think we can see spending occur quickly and jobs created quickly.

In this process, Mr. Chairman and Members of the Committee, let me clarify and emphasize that we have spent many hours speaking to governors; I have personally addressed the National Governors' Association. We have spent time speaking to the mayors, to various associations and organizations around the country for some time now talking about the possibility of the stimulus package before it was announced by the President.

As a result of that, I believe that DOT, State Departments of Transportation and others have been preparing for a stimulus package. They have been engaged in this effort already. So I think that when the President made his announcement very recently it certainly did not come as a surprise to people around the country. I think they are now prepared and looking anxiously to receiving the funds so that they can get going.

Lastly, let me touch on one point that you raised, Mr. Chairman, and that is this provision of the 60-day "use or lose" provision. I understand that there may be some concern about that. But in our discussions with parties around the country, for example, just last week when I was in Kentucky and met with the governor of Kentucky, I specifically asked him about this 30–60 day issue. He said that is not a problem. We think that it is imperative to send a signal that if we want the monies expended quickly, we need to have a trigger like this to ensure that in fact bids are received or contracts executed 60 days after the passage of the legislation.

To help meet that goal, in the event that there might be a problem, let me suggest some initiatives that we are taking now in a creative fashion to try and anticipate some of those problems. Let me give you one example. In the area of highways, for example, the current process we use is something called, the Plans, Specifications, and Estimates package. I don't want to use an acronym, but it is called a PS and E package. FHWA sends information out to the States that obligation limitation is available. The states respond by submitting their PS and E packages and get the process going. Then when FHWA approves the packages, they can then advertise for bids, et cetera.

What we are thinking about doing is speeding up that process now before March 30. We have to be very thoughtful about doing that, because obviously the legislation has not been passed, and we have to be very careful about not being presumptuous about the actions of the House and the Senate, but that is a suggestion, an idea that we are thinking about at the moment and hopefully finding ways to get the monies out more quickly.

In closing, Mr. Chairman and Members of the Committee, let me say that I look forward to working with you, not only on this issue, but others. We will try to provide you as much information as we can as we get it. At times we simply don't have the information on a timely basis, and perhaps that might be frustrating to both of us, but we look forward to working with you on our mutual goal of rebuilding our country and getting our economy moving again and putting people back to work.

Thank you very much.

[The prepared statement of Secretary Peña, transportation excerpts from the President's proposed supplemental, and the Department of Transportation justifications follow:]

OPENING STATEMENT OF THE HONORABLE FEDERICO PEÑA
SECRETARY OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
FEBRUARY 23, 1993

It is an honor to appear before this Committee to support the President's proposals for economic stimulus to strengthen our economy.

Last week the President spoke eloquently of his vision for the country, a vision of fundamental change geared to investing in the future and restoring the American dream. The foundation of this vision is a strong economy that creates and supports jobs. The President's plan to achieve this goal is a three-part plan: an immediate economic stimulus program; long-term investment; and unprecedented commitment to deficit reduction.

I would like to focus my remarks on the stimulus piece to explain the Administration's philosophy that shapes the proposal, and in specific to address the transportation component.

The stimulus package proposed by the President is a $30 billion shot in the arm for the American workforce that will support 500,000 new jobs by the end of FY 1994. Its goal is to support and strengthen an economic recovery that, unfortunately, is putting to few people back to work. While the focus is job creation now, the spending included in the stimulus package also responds to the many needs this country faces -- in infrastructure, housing, education, job training and the environment. In addition, the package provides tax incentives to spur private economic development.

Increased Spending for Transportation

The stimulus package includes about $16 billion in new appropriations and obligations for FY 1993. Of this amount, transportation accounts for $4.16 billion, more than 25 percent of the total new spending. This includes:

- o +$2.976 billion for Federal-aid highways to fund the ISTEA-authorized obligation limitation of $18.303 billion, for a total program of $20.645 billion.

- o +$752 million for transit capital grants, including $482 million for the Formula Grant program and $270 million for the Discretionary Grant program, dedicated to buses.

- o +$250 million for discretionary grants under the Airport Improvement Program, to fund a total FY 1993 program of $2.05 billion.

- o +$188 million for Amtrak capital grants, to fund a total FY 1993 capital program of $353 million.

Rationale for Increased Transportation Funds

The additional spending proposed for transportation contributes to the goal of economic stimulus as well as to investment for the future. As an economic stimulus, increased funding for transportation creates jobs both directly at the construction site or vehicle manufacturer and indirectly through increased orders for materials and equipment to support transportation improvements. We estimate that the transportation component will generate about 70,000 jobs in the FY 1993-94 period.

Transportation spending is a key investment for the future. Transportation improvements contribute in the long term to the increased productivity of our economy by reducing delays and facilitating the movement of goods to market and people to jobs. Increasing the efficiency of our transportation system helps control the cost of transporting goods which contributes to the competitiveness of our industries.

How Will the Transportation Funds be Spent?

Our proposal will increase the funding or obligation authority in current programs. No new programs are proposed. No changes will be made to Federal regulations and requirements. We will not sacrifice environmental standards or sound planning requirements in order to speed spending. We will work with the existing Federal procedures for project approval and eligibility criteria. These are known procedures with which State and local governments are accustomed.

Our focus will be on work that can be started this fiscal year, before September 30, 1993. That means bids accepted or contracts awarded before the end of this fiscal year.

Based on our surveys of State and local transportation officials, we expect the funds to be spent on such projects as resurfacing, restoring and rehabilitating highways, bus and van purchases and rail modernization, runway and other airport improvements and Amtrak track and station improvements.

How Can We Be Sure the Extra Funding Will Truly Be a Stimulus?

We are confident that the increased funding will support additional work above and beyond that which could be supported with funds available to date. This view is based on countless conversations and surveys with state and local transportation officials and our own DOT regional staff to identify or verify additional projects that could begin this fiscal year if additional funds were made available. I have also spoken to various representatives of State and local governments--the Governors, the Conference of Mayors, the American Association of State Highway and Transportation Officials--inviting their input and urging their action and assistance to ensure that our States and cities are ready and able to put these additional funds to work.

The additional funding may result in advancing projects that might otherwise not be funded until FY 1994 or later, but that is consistent with the intent of the stimulus package.

The stimulus funds will only be available until September 30, 1993. That creates an added incentive for full use of these funds. As a further step to ensure full use of the funds, we are proposing to redistribute highway obligation authority and transit formula funds that are not used within 60 days of enactment. In the case of highways, we would require that obligation authority for which States have not received bids within 60 days of enactment be redistributed to other States which could put the funds to work. For transit formula grants, we would redistribute to other areas funds that are not obligated within 60 days of enactment.

We will also work with State and local governments toward quick contract award once bids are received.

How Quickly Will the Program Be Implemented?

We ask your support for quick enactment of the stimulus legislation. If supplemental appropriations can be enacted by the end of March, then the entire Spring and Summer construction season is available to put additional funds to work.

Mr. Chairman, our goal is a stronger economy that will benefit us all. And in my view, transportation plays an important role in the economic strength of our country. I look forward to working with you and the committee as we work together to achieve a transportation system that serves our country efficiently and effectively.

THE WHITE HOUSE
WASHINGTON

February 22, 1993

The Speaker of the
House of Representatives

Sir:

I ask Congress to consider expeditiously the enclosed requests for emergency FY 1993 supplemental appropriations. These requests would provide FY 1993 funding for the short-term economic stimulus proposals that I announced in my February 17th address to the Congress.

I hereby designate all of these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

The details of these requests are set forth in the enclosed letter from the Director of the Office of Management and Budget. I concur with the Director's comments and observations.

Sincerely,

William J Clinton

Enclosures

Estimate No. 1
103rd Congress, 1st Session

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

February 22, 1993

The President

The White House

Submitted for your consideration are requests for FY 1993 supplemental appropriations that would implement the short-term economic stimulus proposals that you outlined in your February 17th address to the Congress.

The requests for supplemental appropriations for FY 1993 total $16.3 billion in budget authority and would support additional loan activity of over $3.3 billion. These funds will be used for a comprehensive range of stimulus activities, including rebuilding American infrastructure, education, extended unemployment compensation and other labor-related assistance, health care, and private sector initiatives. Additional loan activity will assist housing programs; facilitate economic activity through small businesses; and help farmers who are suffering economic hardship.

The enclosed listing provides information on the agencies and programs for which supplemental funding is being requested.

These requests, along with investment tax credit and other tax stimulus proposals, represent a Federal commitment of nearly $30 billion to strengthen and prolong economic recovery. The supplemental requests, together with the tax stimulus proposals, will create an estimated 500,000 new jobs by the end of FY 1994.

I recommend that you designate these requests as emergency requirements pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985.

I have carefully reviewed these proposals and am satisfied that they are necessary at this time. Therefore, I join the heads of the affected Departments and agencies in recommending that these proposals be transmitted to the Congress.

Sincerely,

Leon E. Panetta
Director

Enclosures

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

FEDERAL-AID HIGHWAYS

(Limitation on Obligations)

(Highway Trust Fund)

The language under this heading in the Department of Transportation and Related Agencies Appropriations Act, 1993 is amended by deleting "$15,326,750,000" and inserting "$18,303,000,000": Provided, That section 310(c) of said Act is amended by renumbering existing subsection (2) as subsection (2)(B) and by adding a new subsection (2)(A) as follows:

"(2)(A) sixty days after distribution of any increase in the fiscal year 1993 obligation limitation, as enacted October 6, 1992, revise the distribution of such increased funds under subsection (a) if a State has not obligated and received bids on projects for the increased amount distributed, and redistribute amounts to all States able to obligate amounts on projects for which bids can be received no later than August 1, 1993.

This supplemental request would expand the Federal-aid Highway program to the maximum level authorized in the Intermodal Surface Transportation Efficiency Act (ISTEA) for FY 1993. It will result in increasing the obligation limitation from the currently enacted level of $15.3 billion to $18.3 billion.

This proposal would result in increased obligations of $2,976 million in FY 1993 and would increase outlays by $316 million. It is expected that the States will obligate these projects quickly for ready-to-go projects with a significant portion for fast-spending resurfacing, rehabilitation, and restoration projects.

The proposal also includes a provision intended to accelerate obligations and outlays. The proposal provides that additional obligation authority given to a particular State shall be redistributed among the states if the State has not obligated and received bids on projects for the increased authority within 60 days of receiving the additional obligation authority. The Department of Transportation will ensure that these funds support projects that will create jobs this year.

An estimated 13,100 jobs would be generated by this proposal in FY 1993 and 45,200 in FY 1994.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Grants-in-Aid For Airports

(Liquidation of Contract Authority)

(Airport and Airway Trust Fund)

The language under this heading in the Department of Transportation and Related Agencies Appropriations Act, 1993, is amended by --

(a) deleting "$2,000,000,000" and inserting in lieu thereof "2,250,000,000"; and

(b) deleting "$1,800,000,000" and inserting in lieu thereof "$2,050,000,000";

Provided, That the increase in commitment authority made available by this Act shall be credited entirely to the discretionary fund established by section 507(c)(1) of the Airport and Airway Improvement Act of 1982 (49 U.S.C. App. 2206(c)(1)), without regard to apportionment under sections 507(a) and 507(b) of such Act (49 U.S.C. App. 2206(a) and 2206(b)), or minimum distributions required by sections 507(c)(2) through 507(c)(4) and 508(d) of such Act (49 U.S.C. App. 2206(c)(2) - 2206(c)(4) and 2207(d)).

This supplemental request would provide $250 million in grants to airports for airport development projects, including those which expand capacity, increase safety, speed air travel and mitigate noise. The requested additional increase in liquidating cash will ensure that the obligational authority previously made available for FY 1993 is outlayed quickly.

The proposal would result in increased obligations of $250 million in 1993 and would increase FY 1993 outlays by $34 million. An estimated total of 800 new jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

Grants to the National Railroad Passenger Corporation

For an additional amount for "Grants to the National Railroad Passenger Corporation," for capital improvements grants, $187,844,000, to remain available until September 30, 1993.

This supplemental request funds new equipment purchases, equipment overhauls, station and real estate improvements, rebuilding of locomotives and other capital projects.

This proposal would result in increased obligations of $188 million in FY 1993 and would increase FY 1993 outlays by $28 million. An estimated total of 1,450 new jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

Trust Fund Share of Transit Programs

(Liquidation of Contract Authorization)

(Highway Trust Fund)

The language under this heading in the Department of Transportation and Related Agencies Appropriations Act, 1993, is amended by deleting "$1,134,150,000" and inserting "$1,150,000,000" and by deleting "$1,049,025,000" and inserting "$1,064,875,000": Provided, That these additional funds shall be apportioned under section 9 of the Federal Transit Act, as amended: Provided further, That if any such funds are not obligated within 60 days of enactment of this Act, such funds shall be allocated for any eligible capital project under the Federal Transit Act, at the discretion of the Secretary.

This supplemental request would allow an additional $16 million in contract authority to be used for urban formula capital grants. These grants will fund mass transit capital improvements such as bus and rail car purchases, repair and improvement of bus maintenance facilities, and rail rehabilitation projects.

This proposal would result in increased obligations of $16 million in FY 1993 and would increase FY 1993 outlays by $1 million. An estimated total of 100 new jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

Formula Grants

For an additional amount for "Formula grants" for capital grants, $466,490,000, to remain available until September 30, 1993, of which $17,423,000 shall be apportioned under section 16, $26,420,000 under section 18, and $422,647,000 under section 9 of the Federal Transit Act, as amended: Provided, That, if any such funds are not obligated within 60 days of enactment of this Act, such funds shall be allocated for any eligible capital project under such Act, at the discretion of the Secretary.

The language under this heading in the Department of Transportation and Related Agencies Appropriations Act, 1993, is amended by deleting "$1,700,000,000" and inserting in lieu thereof "$2,182,340,000".

This supplemental request would provide $423 million in urban formula capital grants to transit agencies for mass transit capital improvements such as bus and rail car purchases, repair and improvement of bus maintenance facilities, and rail rehabilitation projects. In addition, it provides $26 million in rural formula capital grants and $17 million for the Elderly and Disabled grant program.

This proposal would result in increased obligations of $466 million in FY 1993 and would increase FY 1993 outlays by $24 million. An estimated total of 3,200 new jobs would be generated by this proposal in FY 1993 and FY 1994.

DEPARTMENT OF TRANSPORTATION

FEDERAL TRANSIT ADMINISTRATION

Discretionary Grants

For an additional amount for "Discretionary grants," $270,000,000, to remain available until September 30, 1993: Provided, That notwithstanding section 3(k)(1) of the Federal Transit Act, as amended, such amounts shall be available solely for the purposes of section 3(k)(1)(C) of such Act.

This supplemental request would provide funds to transit agencies to purchase buses and vans. These funds can be spent relatively quickly and are needed to replace over-age vehicles currently in the U.S. transit fleet.

This proposal would result in increased obligations of $270 million in FY 1993 and would increase FY 1993 outlays by $122 million. An estimated total of 6,000 new jobs would be generated by this proposal in FY 1993 and FY 1994.

U.S. DEPARTMENT OF TRANSPORTATION JUSTIFICATIONS

AIRPORT IMPROVEMENT PROGRAM (AIP)

The proposed level of $250 million included in the stimulus package is in addition to the AIP projects that FAA plans to fund with the $1.8 billion already appropriated for FY 1993 for AIP. It brings the obligation limitation up to the authorized level of $2.05 billion. A $250 million addition mid-way through the fiscal year will allow accomplishment of needed additional airport development while also providing an immediate new stimulus to the economy.

To maximize the effectiveness of these additional funds, the Administration will seek authority to make these funds available on a discretionary basis. The FAA will award these funds using existing grant administration practices to qualified sponsors/projects. It is our intention to award these specific grants within 50 days of enactment of the stimulus legislation and that contracts be awarded immediately thereafter. The FAA has identified possible candidates in excess of the proposed level of $250 million and does not anticipate difficulty in meeting the intent of the President's economic plan.

The projects identified at this time would provide the economic stimulus necessary to create jobs during FY 1993 while at the same time addressing valid infrastructure needs and known program priorities of the Nation's airport system. All projects under consideration conform with requirements to receive Federal aid, i.e., they advance airport safety and security; lead to compliance with aviation or environmental standards; and/or would increase capacity to accommodate existing or forecast demands. These projects can be broadly grouped into 7 categories of infrastructure development: Pavement construction; Pavement Rehabilitation; Airfield Lighting; Approach Aids; Sound Insulation; Equipment; and Miscellaneous. The FAA estimates that approximately 75 percent of the funds would be allocated for pavement work, which includes construction, extensions, rehabilitations, and/or general improvements to runways, taxiways, apron areas, and access roads.

FAA met with representatives of both ACI-NA and ATA to review proposed supplemental AIP candidate projects and reach some consensus on the nature and priority of the projects preliminarily identified by FAA regional airports divisions.

INCREASED HIGHWAY FUNDING

The President's economic stimulus proposal provides a $2.97 billion increase in obligational authority for highways. This increase fully funds the highway program at the fiscal 1993 level authorized in the Intermodal Surface Transportation Efficiency Act (ISTEA).

A recent survey conducted by the American Association of State Highway and Transportation (AASHTO) Officials documents that the States could undertake an additional $6.5 billion in ready to go projects. A FHWA field and staff review of specific project lists furnished to AASHTO by the states suggests that there is at least $2.97 billion (Federal share) in projects that States could have undertaken this year. The feature of the proposed legislation that requires that funds not only be obligated but that bids be received within sixty days of enactment will ensure that work begins promptly and that jobs are created.

These projects include significant amounts of 3R work as well as major projects both of which will contribute to improving conditions and performance on the nation's highways.

Based on current assessments of highway investment requirements and historical expenditure patterns, the additional limitation, matched by the States at statutory matching rates, could provide approximately 10,000 lane miles of pavement rehabilitation, 1,350 lane-miles of highway capacity, and rehabilitate 650 bridges nationwide. This investment would constitute a major advancement in preserving the Nation's highways and relieving some of the congestion problems that plague our largest urban areas. This additional limitation will support over 72,000 additional direct and indirect highway construction jobs through 1997.

The investment required to maintain 1991 conditions and performance on roads and bridges eligible for Federal-aid Highways in FY 1993 is $43.3 billion. While the proposed additional limitation will not fully fund the investment requirements to **maintain** conditions and performance on highways eligible for Federal-aid Highways funds, it would fulfill the Federal commitment made to the States when ISTEA was enacted, just 14 months ago.

States will have the flexibility to allocate this additional limitation to the types of highway improvements most needed in their own areas. Based on a survey of State highway officials, a very large portion of these funds could be used for restoring, resurfacing, and rehabilitating projects, which have more immediate term job-generating impact. The State matching funds' share of the increased limitation would be about $700 million. All indications are that increased State matching funds, which represent only a very small portion of total State capital highway spending, would not be a problem for most States. For those States which may need time to adjust their finances, ISTEA remedies such as matching share waiver and soft-match minimize State requirements for matching dollars in FY 1993.

AMTRAK

The stimulus package includes $188 million for Amtrak. These funds, in addition to supporting jobs, will enable Amtrak to make some of the improvements that have been neglected in the last decade due to a shortage of capital and to restore the major capital overhauls and other rehabilitation work that was cut back during the recession to offset revenue shortfalls. Amtrak's capital improvement list totals $___billion, of which at least $188 million in projects are likely to be underway this fiscal year.

The benefits of this package amount to better service for the public. These include putting cars and locomotives into better condition, meaning lower operating costs; fewer failures of systems, such as air conditioning and waste disposal; and a more pleasant and comfortable ride and on-board environment. The benefits also include improved station conditions and access for the handicapped, better schedule adherence resulting from improved communications, and a variety of other cost-saving and service benefits.

INCREASED TRANSIT FUNDING

Early in FY 1993, FTA reviewed the backlog of applications for Section 3 discretionary bus funds that were not funded in FY 1992 or earmarked in FY 1993 to determine how many were still unfunded, i.e., which projects were not subsequently funded from other sources, but would merit consideration if additional funds became available.

Of the $384 million in Section 3 bus applications still pending, it was determined that approximately fifty percent ($188 million) had met all federal requirements and were ready for immediate obligation.

The FTA regional offices contacted all grantees to ask how much in additional formula capital funds (Sections 9, 18, and 16) could be used if additional funding was made available. The constraints were that the funds had to be applied for and obligated within the fiscal year, and encumbered (under contract) by September 30, 1993. They were told not to include amounts already contained in the Section 3 bus pipeline.

The review determined that at least $752 million (Federal share) in projects were feasible. Of this amount, an estimated $270 million in discretionary bus funds could be obligated and encumbered by September 30, 1993. These funds will be used primarily for bus replacement projects. The remaining $482 million would be made available by formula for "ready to go" bus, rail modernization, and continuing work on existing new start projects.

The Economic Stimulus Package will have a major positive impact on addressing transit's needs for capital investments to improve transit conditions and performance.

The stimulus package calls for the following increases:

Sec. 9 urbanized area formula capital	$439 million
Sec. 18 non-urbanized area formula capital	26 million
Sec. 16 specialized service formula capital	17 million
Sec. 3 discretionary bus capital	270 million

It is expected that about one-half of the Section 9 funds will be used for rail modernization and one-half for bus system improvements. Thus, a total of about $220 million will be used for rail modernization and (including the Section 3 discretionary bus capital funds) about $490 million for urban bus system improvements.

Of the $490 million estimated to be spent for urban bus systems, about two-thirds (or $325 million) is likely to be used for new vehicles and about one-third ($165 million) for maintenance facility improvements.

In the 1992 edition of the biennial Section 308 Report to Congress, the Federal Transit Administration estimates that the total capital expenditure needed to maintain current transit conditions and performance is $3.9 billion per year. An additional $1.8 billion per year (or a cumulative total of about $5.7 billion per year) is needed to eliminate the backlog of deferred capital reinvestment in bus and rail systems and restore these systems to good condition.

The initial appropriation for transit capital spending in FY 1993 was about $2.6 billion, which with local match and overmatch supports capital spending of about $4.8 billion or about half-way between the cost to maintain current conditions and performance and that needed to improve conditions.

The additional $752 million in Federal funds, together with local match, will increase total capital spending on transit to just about the $5.7 billion level needed to maintain current performance and eliminate the backlog of past disinvestment.

More specifically, the largest likely component of spending (the additional $325 million in bus vehicle replacement funds) will make a significant improvement in bus fleet conditions. This spending should provide for an additional 1,500 bus purchases during FY 1993. This will increase the rate of bus purchases from 3,200 per year in recent years to about 4,700 per year, or about 50 percent. This is well in excess of the 3,500 buses needed to be purchased each year just to maintain the current average fleet age. Currently, about 18 percent of the nation's bus fleet is considered over-age.

The following chart summarizes the needs estimated in the 1992 Section 308 Report (in billions of dollars):

	Bus	Rail
Maintain Current Conditions and Performance	$2.175	$1.715
Improve Conditions	0.464	1.371
TOTAL COST TO IMPROVE CONDITIONS	$2.639	$3.086
Improve Performance	$1.772	
TOTAL IMPROVE CONDITIONS AND PERFORMANCE	$7.497	

JOB CREATION AND INVESTMENT GOALS IN FUNDING TRANSPORTATION

Mr. CARR. Thank you very much, Mr. Secretary. We have been joined by our colleague from Ohio, Mr. Regula. Do you have any opening remarks?

Mr. REGULA. I think I will save it for questions.

Mr. CARR. Okay. Mr. Secretary, let's move quickly then to some questions about the package.

The administration's documents state two overall criteria for the economic package. One is near-term job creation and one is a down payment on long-term investment. What relative weight have you given to these two goals in the development of the transportation part of the stimulus package?

Secretary PEÑA. Mr. Chairman, we have not tried to give each of those goals a relative weight. I see those as complementary to one another, and let me try to explain the theory and our view of this.

While the stimulus package is aimed primarily at generating jobs quickly, many of the projects, particularly in the area of transportation, will be projects that also have a long-term investment impact. So we see the phase II of the program, which is a long-term investment package, to be complementary to phase I, which is the immediate stimulus package that the President is proposing.

We haven't looked at the question as you have phrased it, and that is trying to set aside a percentage or a proportion. But we see them as complementary.

Mr. CARR. Well, I might just say that in some areas of spending that we would have to achieve some of these goals; say, if job creation was the most important thing, you could spend a lot of money on Amtrak to clean up right-of-way. That would create a lot of jobs right away, and would improve the look of the rail lines that passengers have to use.

Or we could take that money and upgrade road bed or highways. I mean, somebody had to make the decision. Did you make that, or was this made over at OMB?

Secretary PEÑA. I see. I misunderstood your question. I thought you were asking the question about the relationship of the stimulus package to the long-term investment package. I misunderstood your question.

No, Mr. Chairman, we made those judgments internally at DOT. Essentially, we looked at the potential for quick spend-out and also facile spend-out. The reason we focus on ISTEA and particularly the highway aspect, the federal-aid program of ISTEA is one, that there was tremendous support throughout the Nation for that particular program.

Two, it is well understood and already applied by the states and the cities. And it was our view that, in that area, we could see a lot of job creation. Our estimate is that of about that $3 billion or so, a billion will go into 3R kind of work, and we all know, and I know in your previous hearing you had a lot of testimony about this, 3R work is work that can actually get people out working very quickly.

So that was the thinking that we applied in looking at the relationship of the four categories in the area of transportation.

Mr. CARR. Did you think of requiring a certain percentage to the 3R work?

Secretary PEÑA. These were general estimates. I don't think it was necessarily a requirement. We looked at traditional uses of the funds in the past. But, again, we asked ourselves a question: What is going to give us the stimulus impact? I mean that was the main purpose of the stimulus program, and that is to get jobs created quickly, and we thought this was the best way to do it.

WHITTEN STIMULUS BILL

Mr. CARR. I know you have been on the job a short period of time and you were the able transition head before that. You had a lot of things to learn in a short amount of time. Were you ever made aware that there was a stimulus bill that was proposed by Chairman Whitten at the end of the last Congress?

Secretary PEÑA. Not specifically, Mr. Chairman. I don't know all the specifics about that bill.

Mr. CARR. Well, it contained a mighty big chunk of infrastructure investment. It did try to target it to the 3R program, where I think this Committee feels that you can get the quickest job creation, but you also have the certainty of knowing that the improvements in the 3R program are going to have a positive economic rate of return to the national economy.

It is quite clear that states exercising their decision-making prerogatives under ISTEA may decide on projects that may have an important job creation for their own community, but relative to the entire national economy, have a very low, or even perhaps negative rate of return to the economy.

A great deal of thinking had gone into that package at the end of the last Congress. I guess there is some lament in my voice when people at OMB and at DOT were thinking of coming up with something, they didn't seek the advice of the people on this Committee who had actually done a lot of work on that.

But be that as it may. We will take a very brief recess to go vote, and please, I would ask the Members to come right back to conserve the Secretary's time, and our own.

[Recess.]

LEVEL OF JOB STIMULUS PROVIDED BY INFRASTRUCTURE SPENDING

Mr. CARR. We will reconvene our hearing. I apologize for the brief interruption, but that is what the people pay us to do here.

As we were beginning to discuss some of the overall questions about the package you presented to us, there are a number of people who say, and we heard from them at our first hearing earlier this month, including some of the people who this administration has based its infrastructure investment planning on, that using infrastructure investment as a way to stimulate jobs in the short-term was not especially efficacious or necessarily wise.

We have had any number of people tell us that we might be doing the right thing for the wrong reason, perhaps. I think all of us on this Committee feel that we need to increase the investment in our Nation's economy, but that the expectation that there is going to be a lot of jobs as a result of this is really misplaced.

I wonder how do you answer the critics of the proposal to stimulate jobs through the use of investment, long-term investment?

Secretary Peña. Well, Mr. Chairman, perhaps from personal experience. I can talk about my experience as Mayor of Denver for eight years. While, I think a year after I took office, the rest of the country was doing very well in terms of its economic robustness, Colorado went through one of its worst recessions in the history of the country, I hope not because I became mayor.

At any rate, we went through a very major recession, and it was my view that one of the ways to help climb out of that recession was to invest in infrastructure, and we did.

Now, I am not here telling you that that was the only reason why Denver's economy is now far superior to the economies of both coasts and many cities, but we have climbed our way largely out of that recession. Our unemployment rate was completely reversed in terms of being above the national average, now below the national average. The investment was targeted and was done in a strategic fashion, and I think that that was one of the reasons for our economic recovery.

I think the same can occur throughout the country. The point that I want to make, Mr. Chairman, is that I hope that Americans don't get the view that we are simply trying to create jobs for the sake of creating jobs. That is very important.

But in addition to that, the investments we are making are important to our economy. The investments we are making, for example in rail, will help rail move more efficiently. The investments we are making in airports will help us move goods and people more efficiently. The investments we are making in highways are going to improve the efficiency of the transportation system.

So in that sense, it is complementary to the longer term investment strategy in the area of transportation that the package the President announced last week contemplates. We are trying to do both, and I think, from an economic perspective, it is a wise way to proceed.

Others who have come before us have approached economic strategy very differently. I think many of us believe it did not work. We think this is an economic strategy that will work, and I think the American people think we ought to give it a try.

Mr. Carr. Well, I guess I would agree that the value of long-term economic investment is high, and we ought to do it. I am not sure we ought to sell it, however, as a short-term job creation program. It might have a little spin-off or a by-product in that area but, after all, this is not the summer youth job employment program, which is part of the stimulus package, which I heartily endorse, because it makes no bones about the fact that it is about short-term job creation. The long-term benefits are largely a by-product.

On the other hand, the investments that you are suggesting we make, it seems to me, are primarily long-term economic impact investments, which might have a short-term by-product of job creation. I think we all understand that.

But what really bothers me, though, is that there is a mixed message in this stimulus bill. It has a lot of people excited about the potential for short-term job stimulus, which study after study in previous stimulus bills of this nature of investment has shown not to bear that much fruit. Furthermore, I worry about the fact that we are going to accelerate jobs that can be accelerated quickly, rather than jobs that will have the longest-term economic impact.

I might say too that while the work you did in Denver was obviously beneficial to the economy of Denver, there are a number of people around the country who thought that from a national perspective, that was not a positive economic investment for our country to make.

We are trying to get the biggest bang for the buck in our national economy. We know there are areas in the country with crying unemployment or economic needs that probably should be addressed in some other fashion.

This Committee has historically tried to assure that we have a steady commitment to infrastructure spending. I frankly welcome your becoming Secretary and President Clinton's initiatives to say that we ought to have a higher level of sustained commitment on economic investment. This Committee will pledge its support to achieve that goal. But we underscore the idea of steady here, and that is one of the things I think that has caused some of us some consternation as we have tried to get information and deal with the package as presented to us.

ISTEA FUNDING LEVELS

You mentioned that throughout the country you hear the full funding of ISTEA as a goal, a national goal, whether it is a mayor or someone else. I too hear that. I travel the United States a good bit and I hear that, too; the mantra of full funding of ISTEA seems to ring in the air, and when I go to my hotel room at night, I hear the mantra of full funding for ISTEA. Does it make sense after all the levels projected in ISTEA—good faith and sincere though they are, they are nonetheless political numbers.

I am a little concerned, quite frankly, that we are misdirecting our focus towards the ISTEA authorization levels. We have a General Accounting Office study that tells us that we don't have the revenues for full funding of ISTEA. So it seems to me the practical thing is not what our authorizing friends set for us as goals, but what our revenue friends set for us as reasonable possibilities; and that is before you get into the effect of a BTU tax. We don't know what that effect will be in terms of its impact on driving and revenues into the trust fund. We don't want to have an oscillating commitment to infrastructure spending. We think that is very bad.

We have had a very bad experience with respect to, for example, an on-again, off-again commitment to financing buses. In fact, most bus manufacturers will tell you today that one of the reasons our domestic bus industry had such tremendous difficulty was because they could never plan, they could never project for a certain throughput of capacity that our communities would be buying. I have been approached by a number of bus companies today saying that they like the proposal that you have put forward with regard to bus capital, but nonetheless, they say, we will take what you give us at any time you give it to us. That is another political mantra.

They also will tell you candidly that they would rather have a certain and level commitment throughout time, not these ups and downs and peaks and valleys.

That brings me to the question about the full-funding mantra. We have your request to fully fund ISTEA on an annualized basis for the entire fiscal year 1993. And yet, by the time this is signed into law, half of the fiscal year will have already gone. Therefore, on a monthly basis we will be funding greater ISTEA authorized levels, which might by itself be okay if you are committed to coming to this Committee in a month, when we have our fiscal year 1994 figures, and tell us that you are going to propose funding at that monthly average and then on a annualized basis or greater.

We can do what you ask us today and then project out that we are going to have steady, consistent funding. Otherwise, we are really funding more than ISTEA for the remaining six months of the fiscal year, and we don't know whether there is going to be a fall-off somewhere. Are we setting in motion an oscillation that this Committee is dedicated to preventing?

Secretary PEÑA. I believe not. There is already an oscillation if you look at monthly obligations in the highway area. For example, we saw $2.5 billion of obligations in January alone. In the first two weeks of this month we see $1.3 billion in obligations on the part of State DOTs. So we already have that oscillation.

What is important is—and this is a question I have been asking—what is the total impact of $3 billion now and can that be "consumed"—if I can use that word—by the State DOTs or will they be overwhelmed by that. The response we have been getting is that they will not be overwhelmed by that. The second part of your question is will there be oscillation over a period of years. The answer is no. We will come back to you with a 1994 budget and you will see we are also asking you for full funding of the federal aid highways program. So that, for the next four years, if you add up the total dollars, it is at least $8 billion over current service levels, so that will be a consistent program for the next four years.

I fully understand the situation of the bus manufacturers. I think we are attentive to that, but in transit capital we are also increasing funds by $3.6 billion over the next four years. So I think if you look at the stimulus package, there will be consistency and the stimulus package, will complement the long-term investment package. So I don't think we will experience the very real concerns that you have expressed.

ADEQUATE REVENUES FOR INCREASED INFRASTRUCTURE SPENDING

Mr. CARR. We would like to join you in a commitment to increasing a steady flow here, but what about the revenues? If GAO tells us that we don't have the revenues today to fully fund ISTEA and you are telling us that you are going to propose that we fully fund ISTEA in the outyears, where are we going to get the revenues to do that? Is there going to be a proposal for more gas taxes? Are we going to dedicate some of the BTU tax to infrastructure?

I am not trying to fiddle with this thing, Mr. Secretary. Those of us on this Committee work long and hard studying these cash flow problems. We have to adjust them every year, as we see them happening, because ours is an annual appropriation.

Our friends on the authorizing committee take a six-year look and have six-year hopes and dreams, and sometimes they pan out and sometimes they don't. We are responsible for the people across the country to have a steady level. We see a shortfall here.

Secretary PEÑA. The President proposed revenue increases as a part of the total economic program. The one piece that still needs to be addressed is the return of the 2.5 cent gas tax so that we can ensure that by 1995 we don't have a shortfall in ISTEA. I must say that that conversation is going on as we sit here with OMB, and that has not been finally determined. But OMB fully realizes that something must be done, because given the impact we see in 1995 from the Byrd amendment, we will have a significant problem. There is a commitment to address it. It is a question of simply finding the mechanism to address the problem. So I believe we will have an answer to that particular problem of the 2.5 cent gas tax.

STATE FUNDING LIMITATIONS

Mr. CARR. I hope we do and I look forward to working with you. I would say one thing before turning the questioning over to my colleagues, that I too have asked the question of highway officials throughout the United States about their ability to use money; and I conclude, frankly, that it is politically incorrect to say you cannot use money. The credibility of people, when they say that to me, is very, very low.

I asked the question another way, and I wonder if you have: What is the largest letting your State has ever produced in one single letting? And I get that answer. And then I run back and I calculate what proposal we are going to be letting, particularly if we are confined to a 60-day use-it-or-lose-it rule, given that all these States are going to have an allocation sometime around the first of April. It should coincide if the schedules that we have been given are going to hold.

I get figures upwards of 50 or 75 percent greater than they have ever let before in a single letting, and then I just—I don't have to ask the next question. Intuitively, these state highway departments are sized to a certain level of activity, and then the bottom line is, I ask them, can you use it; and they say, yes. They will even say that, but I think it stretches the imagination to think that a State is going to be able to do 150 percent of its rate of letting that it never had a historical basis for doing, and manage to do that also that the 60-day use-it-or-lose-it rule doesn't trigger into effect.

I know it is politically incorrect to say, no, we can't do that. There is no governor or highway administrator that is going to admit to that, but it seems there are practical limitations here.

Secretary PEÑA. I agree that, at some point, one will reach practical limitations, but I look at the question differently—from a different perspective. I believe the problem of low letting amounts is a reflection of the fact that most State departments of transportation today do not have adequate funds to meet their statewide transportation needs. That has been a historical problem across America. In the State of Colorado, if you talk to the State transportation people, they will tell you that historically they have had about 10 percent of their needs met on a statewide basis for years and it has been a constant struggle to get legislators to fully fund them. So I don't think we should focus just on the letting issue.

The question is, are the needs there; and if additional funds are provided, can they handle the funds? Our estimate is they can. Our estimate is that the increase nationwide is only about 9 percent. I gave you an illustration that, in the month of January, we saw $2.5 billion obligated. That doesn't mean we should then make a projection for 12 months, that that is what it will be for the entire year, because it won't, because there will be ups and downs in obligations, State by State. But $3 billion, we do not believe, is so significant an addition that it will create problems for State DOTs; and I believe they will be able to address and handle them.

Mr. CARR. I will stipulate the needs, but I am worried about the capacity of highway departments across the country to do the job. You have to ask not what their needs are—they always have more needs than they can fulfill—you have to look at historically, what is the biggest letting you have done in a year, maybe in a season?

These allocations are handed out quarterly. There are some oscillations because of seasonal requirements. But the fact of the matter is that some of these departments are going to be asked to do some percent of what they have ever done historically, and they have got to do it, according to your proposal, under a 60-day use-it-or-lose-it rule. And it seems to me that is pushing an awful lot of dollars through a very small hole.

Anyway, I don't want to take up too much of the time. I enjoy the discussion. The gentleman from northern Virginia.

Mr. WOLF. I will waive a statement.

TRANSIT TO HIGHWAY FUNDING RATIO

Mr. CARR. Mr. Foglietta.

Mr. FOGLIETTA. Thank you, Mr. Chairman.

Mr. Secretary, my questions for you today focus on your choices for funding these transportation projects in this particular package. You dedicated almost $3 billion to funding highway projects, but only three-quarters of a billion dollars to fund mass transportation programs.

I believe it is vitally important that we enhance and rebuild our mass transportation systems. These projects will create jobs on the fast-track. Moreover, mass transit is the most environmentally friendly form of transportation.

Why, may I ask, did you fund mass transit programs at less than a 3-to-1 ratio in this program, and will future budget proposals change and, I hope, improve on their funding ratio?

Secretary PEÑA. Well, Congressman, you have asked the most difficult question that I could possibly answer.

Mr. FOGLIETTA. I am glad I did.

Secretary PEÑA. Generally speaking, let's focus on the purpose of the stimulus package; and its highest purpose was to create jobs, but also to invest in important transportation infrastructure. We felt that the quickest way to get a significant job-creation stimulus was through the Federal highway program. We couldn't get that as quickly in the mass transit area. That was a general rule.

For example, if we look at new starts, we know that new starts have a very small job creation impact in the initial stages. So because we wanted this to be a stimulus package and focused on stimulus, we had to take that into account.

Let's assume we are not doing a stimulus package, but a long-term investment package; our thinking and our rationale would be much different because we wouldn't be focused on the job creation impact, and transit would come out differently on those scales.

That was the general rationale that we used as we made the allocations between highways and transit.

RAIL MODERNIZATION FUNDING

Mr. FOGLIETTA. Beyond the differentiation between mass transportation and highways, I am just as concerned about the funding ratios between mass transit and highways as I am concerned about the manner in which the $270 million of spending under section 3 is designed.

I represent one of the oldest cities in America, the City of Philadelphia. Philadelphia's subway system was built in 1907. In older urban areas, mass transportation systems of America are in desperate need of modernization; that means a crying need for spending in rail modernization. But this program will spend all the money in bus capital.

Now, just like bus capital, rail modernization meets the goals of this spending program, or this "stimulus program," as you call it. I assure you that there are rail modernization projects just as ready to go as there are bus or road projects. I have a list of projects in my city worth $40 million able to be obligated in 60 days, ready to go and ready to put thousands of people in Philadelphia back to work.

Moreover, spending to rebuild rail infrastructure would spread job creation more evenly and more fairly, rather than the bus capital program which focuses mainly on manufacturing buses. How was the decision made to fund just one portion of the Section 3 program and not fund the rail modernization program, which also has a large number of ready-to-go projects?

Secretary PEÑA. Let me clarify that aspect. The discretionary grant program, you are correct, is essentially bus acquisition. However, on the formula grant portion, those moneys requested can and will be used for rail modernization. So that is the program from which rail improvements can be funded, and we estimate that $220 million will be used for that purpose.

Mr. FOGLIETTA. I am new to this Committee. That money is only for operating expenses?

Secretary PEÑA. No, Congressman. The $220 million can be available for rail usage. We are focused on capital investment in the rail area, not on the operating side.

The point I want to make is that there is a portion here which is available for rail modernization and also a separate category for bus acquisition.

Mr. FOGLIETTA. I assure you, there are many rail modernization projects which are ready to go. In light of the fact that last year's appropriations bill contained a great amount of additional funding for new start projects and this year's contains additional funding for bus capital, rail modernization always seems to get sacrificed. In fairness to older cities and other transit systems, do you plan to focus additional resources on rail modernization in your fiscal year 1994 budget request?

Secretary PEÑA. Congressman, over the 1994 through 1997 period, it will be about a $3 billion increase in transit capital over current services; and that, of course, can be used for rail modernization.

Mr. FOGLIETTA. Would you repeat that?

Secretary PEÑA. It will be about $3 billion for transit capital in addition to current estimates, between 1994 and 1997, which can be used for rail modernization. There will be new funds available for rail modernization.

Mr. FOGLIETTA. Is that Section 9 or Section 3 money?

Secretary PEÑA. It is a combined fund. We can clarify this for you in writing, if that would be helpful.

[The information follows:]

The President's investment proposals for the fiscal year 1994–1997 period include an increase of about $3.6 billion over current services in total for transit formula capital grants (section 9) and discretionary grants (section 3). Although we are still discussing the allocation between the programs, there will be growth in both the section 3 and section 9 programs.

Mr. FOGLIETTA. When I hear the discussions going on—I am concerned about rail modernization and mass transportation in the older cities of America.

I happen to be chairman and founder of the Urban Caucus in this Congress, an organization with over 70 Members. When you were talking about fully funding ISTEA, you mean only the highway portion. It does have a portion which transit section was not fully funded. And then in another discussion you talked about bus, highway and airports, but again you are not talking about rail transit. And I just want to let you know for future reference that I am here to advocate as strongly as I can on behalf of Philadelphia, and all the older cities of this Nation on how vitally important mass transit is. It is important not only for our economy and for job creation, but for the access of urban residents to those jobs. And in many, many instances, it is not only bus transportation, but it is rail transportation.

Take a city like Philadelphia, the ratio of unemployment—I am sure you know this having been a mayor—the ratio of unemployment in our surrounding suburban areas as opposed to inner core areas is 10 to 1. The jobs are out in the suburban areas, and the unemployed people are in the cities. We have to move people to the jobs. A city like Philadelphia, if you examine the rail transportation system—it is almost like a hub and spokes of a wheel. The center of the city—spreads out into every suburban area around it. Rail transit takes people who desperately need jobs out to those areas; I would hope you will keep that in mind for the future and know how desperately we in the cities, especially older cities, need funding for rail transportation and modernization.

Thank you.

Secretary PEÑA. I will. Thank you.

INTERSTATE MAINTENANCE APPORTIONMENTS

Mr. CARR. Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Just a few items, Mr. Secretary. I listened while my colleague from Philadelphia was worrying about his rail system, and I understand that. Indeed, this Committee has done a good deal for some major areas with respect to new rail systems. I think maintenance of what we invest in is critical, and I think the administration has made a strong effort in understanding that point.

It is easy to build something and think we don't have to maintain it. That is wrong.

I am concerned about some of the numbers I have seen with respect to maintenance for States. My colleague from Texas on this Committee asked me the question—what those percentages looked like; and I said, it wasn't broken out in percentages. For Texas, in the maintenance issue, it might not have been as high as it should be. I would ask you to review that.

Once we have those investments, the maintenance issue is critical. The ones I saw were in the economic stimulus supplemental numbers that I reviewed. It is this packet that was given to us on the committee. It is on the third page, and it had——

Secretary PEÑA. What number did you have?

Mr. COLEMAN. It may be the fourth page. It was the one that dealt with the maintenance issue. We were looking and comparing States, and it wasn't broken out into percentages. It might be good to get that for the record so we could have a percentage increase estimated.

[The information follows:]

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FEDERAL HIGHWAY ADMINISTRATION

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COMPARISON OF DISTRIBUTION OF INCREASED LIMITATION
AS A PERCENT OF INTERSTATE MAINTENANCE APPORTIONMENTS
TO DISTRIBUTION AS A PERCENT OF TOTAL APPORTIONMENTS

STATES	INCREASE BASED ON INTERSTATE MAINTENANCE	PERCENT	INCREASE BASED ON CURRENT LAW	PERCENT	DIFFERENCE
ALABAMA	53,164,662	1.82%	47,154,401	1.61%	6,010,261
ALASKA	21,943,729	0.75%	37,008,028	1.27%	(15,064,299)
ARIZONA	62,142,974	2.13%	37,729,331	1.29%	24,413,643
ARKANSAS	30,267,681	1.04%	29,686,981	1.02%	580,700
CALIFORNIA	295,443,316	10.12%	260,488,228	8.92%	34,955,088
COLORADO	55,539,800	1.90%	40,163,072	1.38%	15,376,728
CONNECTICUT	40,338,904	1.38%	62,598,956	2.14%	(22,260,052)
DELAWARE	14,233,928	0.49%	12,169,455	0.42%	2,064,473
DIST. OF COL.	14,233,928	0.49%	16,539,253	0.57%	(2,305,325)
FLORIDA	104,285,572	3.57%	101,154,774	3.46%	3,130,798
GEORGIA	101,872,366	3.49%	78,939,851	2.70%	22,932,515
HAWAII	40,120,960	1.37%	47,006,788	1.61%	(6,885,828)
IDAHO	25,410,510	0.87%	19,785,929	0.68%	5,624,581
ILLINOIS	103,561,578	3.55%	110,123,140	3.77%	(6,561,562)
INDIANA	66,682,061	2.28%	58,987,068	2.02%	7,694,993
IOWA	39,489,194	1.35%	36,909,206	1.26%	2,579,988
KANSAS	40,545,728	1.39%	33,681,425	1.15%	6,864,303
KENTUCKY	48,003,027	1.64%	42,202,599	1.44%	5,800,428
LOUISIANA	50,663,072	1.73%	45,023,338	1.54%	5,639,734
MAINE	14,394,961	0.49%	14,909,794	0.51%	(514,833)
MARYLAND	47,128,527	1.61%	44,948,654	1.54%	2,179,873
MASSACHUSETTS	49,181,539	1.68%	184,783,747	6.33%	(135,602,208)
MICHIGAN	91,921,461	3.15%	75,412,901	2.58%	16,508,560
MINNESOTA	70,700,185	2.42%	58,569,006	2.01%	12,131,179
MISSISSIPPI	33,500,989	1.15%	32,349,818	1.11%	1,151,171
MISSOURI	77,813,686	2.66%	62,364,634	2.14%	15,449,052
MONTANA	44,552,915	1.53%	28,625,771	0.98%	15,927,144
NEBRASKA	24,591,987	0.84%	25,869,732	0.89%	(1,277,745)
NEVADA	25,103,943	0.86%	18,248,767	0.62%	6,855,176
NEW HAMPSHIRE	14,233,928	0.49%	14,283,066	0.49%	(49,138)
NEW JERSEY	33,650,020	1.15%	86,328,262	2.96%	(52,678,242)
NEW MEXICO	45,831,129	1.57%	31,185,495	1.07%	14,645,634
NEW YORK	109,209,527	3.74%	163,571,009	5.60%	(54,361,482)
NORTH CAROLINA	56,458,757	1.93%	68,351,291	2.34%	(11,892,534)
NORTH DAKOTA	21,786,591	0.75%	18,340,574	0.63%	3,446,017
OHIO	110,065,623	3.77%	99,330,013	3.40%	10,735,610
OKLAHOMA	39,189,539	1.34%	38,277,754	1.31%	911,785
OREGON	43,435,158	1.49%	35,436,156	1.21%	7,999,002
PENNSYLVANIA	72,955,018	2.50%	122,116,499	4.18%	(49,161,481)
RHODE ISLAND	14,233,928	0.49%	18,656,000	0.64%	(4,422,072)
SOUTH CAROLINA	52,931,974	1.81%	40,898,583	1.40%	12,033,391
SOUTH DAKOTA	26,585,034	0.91%	19,687,141	0.67%	6,897,893
TENNESSEE	70,406,411	2.41%	57,805,103	1.98%	12,601,308
TEXAS	214,043,076	7.33%	181,322,202	6.21%	32,720,874
UTAH	46,863,209	1.60%	22,124,005	0.76%	24,739,204
VERMONT	14,233,928	0.49%	13,051,649	0.45%	1,182,279
VIRGINIA	79,085,192	2.71%	55,654,807	1.91%	23,430,385
WASHINGTON	60,253,017	2.06%	57,402,395	1.97%	2,850,622
WEST VIRGINIA	22,841,695	0.78%	27,947,671	0.96%	(5,105,976)
WISCONSIN	37,826,264	1.30%	51,573,063	1.77%	(13,746,799)
WYOMING	35,040,950	1.20%	19,809,887	0.68%	15,231,063
PUERTO RICO	12,810,535	0.44%	14,216,413	0.49%	(1,405,878)
SUBTOTAL	2,920,803,685	100.00%	2,920,803,685	100.00%	0
ADMINISTRATION	0		0		0
FEDERAL LANDS	0		0		0
104(a) SETASIDE	0		0		0
RESERVED FOR DISCR.	55,446,315		55,446,315		0
TOTAL	2,976,250,000		2,976,250,000		0

NOTE: INCLUDES ADDITIONAL LIMITATION FOR DISCRETIONARY ALLOCATIONS AS OF FEBRUARY 3, 1993.

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C:LIM-IMXX U. S. DEPARTMENT OF TRANSPORTATION HFS-31
FEDERAL HIGHWAY ADMINISTRATION 25-Feb-93
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COMPARISON OF DISTRIBUTION OF INCREASED LIMITATION
AS A PERCENT OF INTERSTATE MAINTENANCE APPORTIONMENTS
TO DISTRIBUTION AS A PERCENT OF TOTAL APPORTIONMENTS

STATES	INCREASE BASED ON INTERSTATE MAINTENANCE (1)	PERCENT	INCREASE BASED ON CURRENT LAW (2)	PERCENT	DIFFERENCE
ALABAMA	54,574,264	1.87%	47,154,401	1.61%	7,419,863
ALASKA	22,525,542	0.77%	37,008,028	1.27%	(14,482,486)
ARIZONA	63,728,830	2.18%	37,729,331	1.29%	25,999,499
ARKANSAS	31,070,195	1.06%	29,686,981	1.02%	1,383,214
CALIFORNIA	301,858,502	10.33%	260,488,228	8.92%	41,370,274
COLORADO	53,092,736	1.82%	40,163,072	1.38%	12,929,664
CONNECTICUT	37,383,856	1.28%	62,598,956	2.14%	(25,215,100)
DELAWARE	14,611,325	0.50%	12,169,455	0.42%	2,441,870
DIST. OF COL.	14,611,325	0.50%	16,539,253	0.57%	(1,927,928)
FLORIDA	106,962,308	3.66%	101,154,774	3.46%	5,807,534
GEORGIA	102,721,222	3.52%	78,939,851	2.70%	23,781,371
HAWAII	14,611,325	0.50%	47,006,788	1.61%	(32,395,463)
IDAHO	25,822,189	0.88%	19,785,929	0.68%	6,036,260
ILLINOIS	100,770,622	3.45%	110,123,140	3.77%	(9,352,518)
INDIANA	66,039,152	2.26%	58,987,068	2.02%	7,052,084
IOWA	40,497,525	1.39%	36,909,206	1.26%	3,588,319
KANSAS	41,620,753	1.42%	33,681,425	1.15%	7,939,328
KENTUCKY	49,275,774	1.69%	42,202,599	1.44%	7,073,175
LOUISIANA	52,006,347	1.78%	45,023,338	1.54%	6,983,009
MAINE	14,611,325	0.50%	14,909,794	0.51%	(298,469)
MARYLAND	48,378,087	1.66%	44,948,654	1.54%	3,429,433
MASSACHUSETTS	49,970,331	1.71%	184,783,747	6.33%	(134,813,416)
MICHIGAN	93,908,285	3.22%	75,412,901	2.58%	18,495,384
MINNESOTA	54,912,136	1.88%	58,569,006	2.01%	(3,656,870)
MISSISSIPPI	34,389,230	1.18%	32,349,818	1.11%	2,039,412
MISSOURI	79,768,900	2.73%	62,364,634	2.14%	17,404,266
MONTANA	45,734,186	1.57%	28,625,771	0.98%	17,108,415
NEBRASKA	23,603,375	0.81%	25,869,732	0.89%	(2,266,357)
NEVADA	25,769,546	0.88%	18,248,767	0.62%	7,520,779
NEW HAMPSHIRE	14,611,325	0.50%	14,283,066	0.49%	328,259
NEW JERSEY	33,480,449	1.15%	86,328,262	2.96%	(52,847,813)
NEW MEXICO	47,046,290	1.61%	31,185,495	1.07%	15,860,795
NEW YORK	108,025,913	3.70%	163,571,009	5.60%	(55,545,096)
NORTH CAROLINA	57,876,246	1.98%	68,351,291	2.34%	(10,475,045)
NORTH DAKOTA	22,364,238	0.77%	18,340,574	0.63%	4,023,664
OHIO	112,933,041	3.87%	99,330,013	3.40%	13,603,028
OKLAHOMA	40,228,606	1.38%	38,277,754	1.31%	1,950,852
OREGON	43,882,973	1.50%	35,436,156	1.21%	8,446,817
PENNSYLVANIA	74,859,909	2.56%	122,116,499	4.18%	(47,256,590)
RHODE ISLAND	14,611,325	0.50%	18,656,000	0.64%	(4,044,675)
SOUTH CAROLINA	50,073,730	1.71%	40,898,583	1.40%	9,175,147
SOUTH DAKOTA	27,289,907	0.93%	19,687,141	0.67%	7,602,766
TENNESSEE	72,273,158	2.47%	57,805,103	1.98%	14,468,055
TEXAS	219,718,190	7.52%	181,322,202	6.21%	38,395,988
UTAH	48,105,734	1.65%	22,124,005	0.76%	25,981,729
VERMONT	14,611,325	0.50%	13,051,649	0.45%	1,559,676
VIRGINIA	81,098,535	2.78%	55,654,807	1.91%	25,443,728
WASHINGTON	61,630,954	2.11%	57,402,395	1.97%	4,228,559
WEST VIRGINIA	23,303,248	0.80%	27,947,671	0.96%	(4,644,423)
WISCONSIN	38,829,185	1.33%	51,573,063	1.77%	(12,743,878)
WYOMING	35,970,022	1.23%	19,809,887	0.68%	16,160,135
PUERTO RICO	13,150,192	0.45%	14,216,413	0.49%	(1,066,221)
SUBTOTAL	2,920,803,685	100.00%	2,920,803,685	100.00%	0
ADMINISTRATION	0		0		0
FEDERAL LANDS	0		0		0
104(a) SETASIDE	0		0		0
RESERVED FOR DISCR.	55,446,315		55,446,315		0
TOTAL	2,976,250,000		2,976,250,000		0

NOTE (1): PROVIDES NO ADDITIONAL LIMITATION FOR DISCRETIONARY ALLOCATIONS.
(2): INCLUDES ADDITIONAL LIMITATION FOR DISCRETIONARY ALLOCATIONS AS OF FEBRUARY 3, 1993.

Mr. Coleman. My sensitivity to that is because, coming from a donor State that has been paying freight for other States, we finally got formulas done in the last several years. Thanks to Secretary Bentsen's efforts on the Senate side, probably more than anyone else, at long last the formulas begin to treat donor States in better fashion.

I wanted to question that maintenance issue, if you wouldn't mind for the record giving us your best analysis of that issue.

[The information follows:]

We have provided tables to the Subcommittee showing State-by-State distribution of the additional Federal-aid highways obligation limitation by the formula in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and by the Interstate Maintenance apportionment formula. We recommend that the additional obligation limitation be distributed by the ISTEA formula because Congress debated that distribution formula extensively in 1991 and reached a compromise that enabled passage of ISTEA.

Mr. Coleman. My colleague mentioned the requested section 3 funds. I hope that your agency will continue to push alternative-fuel buses and those kinds of vehicles. I hope that in terms of understanding some of what the Vice President said during the course of the campaign, we think it is very important.

I have a number of issues, and I will send those to you by letter that specifically relate to trolleys and other forms of transportation that some communities are using in my congressional district. I would appreciate a response if I might have that.

I thank you for being here today.

Secretary Peña. Thank you, Congressman. We will try and get you the answer to that first question perhaps at this meeting.

Mr. Coleman. Thank you.

THE SECRETARY'S DENVER EXPERIENCE

Mr. Carr. Mr. Regula.

Mr. Regula. Thank you, Mr. Chairman.

Mr. Secretary, we welcome you. I would be interested—you mentioned about getting your city out of the recession. Did you borrow the money to do all the infrastructure that you described?

Secretary Peña. In some cases we went to a property tax increase, so we used general obligation bonds to raise $240 million to do investment in viaducts and streets, et cetera, and the following year we did another $70 million in general obligation bonds. It was a fairly typical G.O. bond structure that most cities use.

We invested in a new convention center with a combination of city funds and state funds, and we made an investment in an airport using a combination of Federal funds and airport revenue bonds based on the revenues which are generated at the airport.

The point that I was making is—and I am sure there are some in my city who disagree that those investments were good investments—that they were important to helping rebuild our economy in Denver, and that I believe the future will demonstrate, perhaps many years after I am gone, that those investments were very important for the vitality of the City of Denver in the next century.

Mr. Regula. So you raised the taxes to offset the G.O. bonds to ensure that there would be revenues to retire them?

Secretary Peña. That is correct.

ECONOMIC GROWTH—NEED FOR STIMULUS

Mr. REGULA. *The Washington Post* recently had a story.—Three of the included reports show the economy growing at a rapid pace, up 3.8 percent in the final three months to 5 percent. Given that strong growth in the economy, and considering the fact that there is already a stimulating impact from this economic growth do you think it is wise to go out and borrow $120 for every citizen of the United States and obligate their future to provide a stimulus?

Secretary PEÑA. I think this is where we get into differing economic theory.

Those who have put this economic package together believe strongly that the current recovery is not like other recoveries, that what is missing is creation of new jobs.

I just came back from Seattle with the President yesterday. Boeing has announced the cuts of about 28,000 jobs, not only in that city, but in other parts of the country where they have their manufacturing operations. We have seen a number of major companies around the country in the last three or four months announce major job cutbacks.

What we think is missing and what we believe is essential is stimulus for the purpose of job creation. I believe, based on my conversations throughout the country, that Americans believe it is important, that it is an important goal to achieve quickly and are willing to invest in that program.

Mr. REGULA. Are these going to be temporary or permanent jobs?

Secretary PEÑA. Let me speak about the transportation area. Many of the projects that will be funded in the stimulus are also long-term investment projects. So although we are asking that the funds be obligated 60 days after the bill is passed, clearly the projects will not be completed in this fiscal year. Our hope, because of the way in which targeted the funds, is that we will see a significant employment increase in the short term. But those projects will be here indefinitely.

For example, the improvements we are going to make in trackage for Amtrak are long-term investments. The buses that we are going to acquire are long-term investments. The triple-R work for highways is long-term investment. Those are probably the most cost-effective investments we can make, because they are preventive as opposed to having to completely restore a road that has deteriorated.

So we think that these are long-term investments. The jobs that will be created, depending on the kind of project, might be short-term jobs, but many others will be long-term jobs. Following the stimulus package then, we will have the long-term commitment of the President's program. So we will see that this is a four-year consistent investment package in infrastructure, which I think will ensure that the creation of jobs will be a steady increase over the four-year period.

EMERGENCY DEFINITION

Mr. REGULA. If these are long term, as you describe them, wouldn't that be handled through the routine appropriation, rather than through an emergency package? How long does an emergency last?

Secretary PEÑA. This emergency, as the President would like for it to be declared, is only for the 1993 fiscal year. We see this as an immediate emergency. I believe, based on at least my visits throughout the country, whether it is Kentucky or Colorado or Seattle, that people strongly believe that the country is facing a significant problem today.

I think people want change quickly. I think people want jobs created immediately, and the President has fashioned this program in order to achieve those goals.

Mr. REGULA. The Labor Department said claims for unemployment fell by 19,000 in the week ending February 6. This would seem to indicate that there is a downtrend in unemployment consistent with the fact that we have 5 percent growth. Does that give you the circumstances that would indicate an emergency?

Secretary PEÑA. Congressman, I think that is one indicator of the nature of the emergency. As you and I both know, those particular claims are not necessarily reflective of the extent of unemployment or underemployment in the economy, and I think economists could argue about the accuracy of some of those figures, or at least what they mean.

Mr. REGULA. Will these programs be targeted just to areas—like you mentioned Boeing—where there have been large layoffs or have a very high rate of unemployment, or will they be across the board like, for example, the State of Virginia has a relatively low rate, Wyoming has a very low rate. Would they not likely get any projects?

Secretary PEÑA. Let's take, for example, the Federal highway piece of ISTEA. We will use the current formula that is in effect today, so we are not going to change the distribution which is used in that formula. All that was debated when ISTEA was put together a year or so ago; we want to be consistent and continue to apply that formula distribution.

Mr. REGULA. You are suggesting that you are adding $4 billion-plus to the amount of money appropriated in ISTEA, the only difference being ISTEA was financed through gasoline tax and this would be financed through borrowing.

Secretary PEÑA. The full funding of ISTEA is $3 billion in the highway piece. Transit will not be fully funded. Second, we see this as a total package that the President has recommended for your consideration.

So, yes, it does include additional revenue. We think that if you look at the program over a four-year period and ask the question, where do we end up in terms of deficit reduction, in terms of revitalizing the economy, in terms of creating new jobs, we think this is the appropriate approach to take.

I admit that a group of economists will disagree. But we used one approach some time ago, and I think the American people would like to see us use a different approach this time.

CAPITAL VS. OPERATING EXPENSES

Mr. REGULA. What percent of the expenditures will be operations and what percent will be permanent improvements?

Secretary PEÑA. I think your question may be as respects the transit side. It will be zero for operations; it will all be for capital.

Mr. REGULA. Is this true for highways?

Secretary PEÑA. Essentially, that is correct. The question is normally raised in the context of transit operations where people argue that we should put more money into operations and we are not going to do that. It will go into capital. I think the representative who is here from Amtrak can talk to you very eloquently about their belief that by investing in capital, they will be able to increase revenue by providing better service and helping Amtrak become more self-sufficient.

UNOBLIGATED BALANCES OF HIGHWAY DEMONSTRATION PROJECTS

Mr. REGULA. Do you have unobligated balances from previous appropriations?

Secretary PEÑA. Primarily from highway demonstration projects; that is correct.

Mr. REGULA. Do you have any idea how much those involve in dollar volume?

Secretary PEÑA. About a billion dollars.

Mr. REGULA. Do you anticipate moving those quickly to accomplish the same objectives that you have in this package?

Secretary PEÑA. Congressman, as you know, the demonstration projects are primarily the responsibilities of the States, so the Department does not have a lot of leeway in trying to get those demonstration projects moving as quickly as possible. Where we do have leeway and responsibility and some control—in the non-demonstration area—yes, we are going to move as quickly as possible to get those moneys expended.

Mr. REGULA. Won't this money all funnel through the States that you are talking about here?

Secretary PEÑA. The Federal highway dollars will go through the States; that is correct.

Mr. REGULA. Are there earmarks that have been obligated from the previous bill that are under way right now?

Secretary PEÑA. Yes.

Mr. REGULA. Do you know the dollar volume of that?

Secretary PEÑA. Approximately about $400 million, Congressman.

[Additional clarifying information follows:]

The unobligated balances for the highway demonstration projects included in the fiscal year 1993 Department of Transportation Appropriations Act total about $400 million, including recoveries.

Mr. REGULA. Does that include FAA?

Secretary PEÑA. That is just the highway piece.

Mr. REGULA. Do you have some in FAA, too?

Secretary PEÑA. I don't believe so.

Mr. REGULA. So anything that was earmarked in the last bill, you are moving as much as possible into construction or to whatever it was earmarked for?

Secretary Peña. Again that is primarily the responsibility of the States. We have a different view about demonstration projects.

Mr. Regula. I gathered that.

Thank you, Mr. Chairman.

DEFICIT SPENDING AND WAIVING ISTEA PROCEDURES

Mr. Carr. Mr. DeLay.

Mr. DeLay. Thank you, Mr. Chairman.

Mr. Secretary, it is great to see you before this Committee. There are a lot of issues that I am sure we will get into when you reappear before this Committee during work on the fiscal year 1994 bill. I have a lot of reservations expressed by the Chairman about the so-called emergency. When we say "emergency" in this body, we mean deficit spending. I have a lot of reservations about the first item of business the President wants us to pass is deficit spending.

The reason I was late is because my other subcommittees are also meeting, so we are having to shuffle back and forth. Other secretaries before the VA–HUD–Independent Agencies Subcommittee, their answer was, yes, this is emergency deficit spending; and if we get the rest of the plan—if we get the rest of the plan—everything will work out.

But some of us believe that spending cuts are more of an emergency than deficit spending and we ought to see those before we go into areas like this, and particularly, in your own words, most of this money can't be spent this year anyway.

So we are going to raise the deficit to create jobs and there are questions there about what kind of jobs you are going to create. At the same time, in raising the deficit and creating jobs, the spending won't even come for this year and some of it won't even come for two years. Because in your answers to Mr. Regula, if we are going to take this money and we are going to move it through ISTEA, in Texas, I don't know about other States, you have to go through the MPOs, policy organizations. Then it has to go up to the State and back down. You do TIPs in these hearings.

We are finding we have put off projects because of ISTEA in this area alone from one-and-a-half to two-and-a-half years before we even start to talk about building it. So we are really concerned that we are not going to get these jobs.

This Committee, as you will find out later on, is a very bipartisan Committee. I don't want to sound partisan, but it seems like to me that we are in a big hurry to pass a stimulus program paid for by deficit spending so that when the economy is good at the end of the year we can take credit for an economy that is already going to be good at the end of the year. I am concerned about doing that.

What about moving the money quicker, what about waiving the procedures in ISTEA that slow down the possibilities? Even if you are going to move some of these projects up in time to get to them quickly, you are going to have to do something about the regulations in ISTEA in order to do that.

Are you prepared to waive some of the procedures that have been impediments to being able to at least get this money in the pipeline quickly?

Secretary PEÑA. Let me try and answer a couple of questions you asked.

First of all, we are committed to cuts. The President was very specific about the cuts. As a member of the Cabinet, I am pledged to cut my share of $9 billion in administrative costs in all departments. I am pledged, in addition to that, to cutting $150 million just in the Department of Transportation. I had a conversation with my acting modal administrators, and they weren't happy to hear that news, but they heard it.

The first question they asked was, will we have discretion to make decisions about where we cut in our agencies? I said, why are you asking whether you will have the discretion; you manage the agency, and of course you will, because you know best where to cut. The answer was that previous OMB directors have not allowed the administrators to make the cuts where they think are appropriate.

I understand that managers cut; we ought to give them the discretion to cut. So we are going to cut. That is a commitment. I have done it before, I know how to do it, this Cabinet is committed to it.

On the question of getting money out, the stimulus package, particularly in the area of ISTEA programs, is looking at projects which essentially have already cleared the environmental process, are not subject to litigation. That is why when AASHTO and other organizations gave you large numbers of projects that were ready to go, we went back and reexamined those. We went back into the field and asked questions about those projects.

Our conclusion was that not all the projects were really ready to go, had cleared the MPO process, did not have litigation, did not have environmental issues or zoning problems, and were in fact ready to go. That is why the number we recommended to OMB was smaller than that requested by other organizations. So in the short-term stimulus package, we do not anticipate having those kinds of problems.

With respect to Phase 2, the longer-term package, we have issued regulations which I hope will clarify some of the issues raised between the MPOs and the Clean Air Act and DOT. We will have comment on those.

I am very sensitive to this issue. I came from an environment where we had a battle on these questions, and I am going to do everything I can to issue clarifying regulations so we don't have the bottlenecks that we have heard about in the past.

Mr. DELAY. Are you saying that this entire $4 billion is going to be spent on projects that have already cleared the environmental and all other regulations?

Secretary PEÑA. Of the $4.1 billion, about $3 billion will go to the Federal highway part of ISTEA. The answer there is yes. We have looked at those projects very carefully. It is our best judgment that they are ready to go. In our conversations with our regional offices it is their best judgment these projects are ready to go, which means that bids will be received or contracts executed within 60 days from the passage of this legislation, which we hope will be the end of March.

In addition to that, I have instructed our administrators to look at ways in which we can accelerate that process. I spoke earlier about the current process we use at the local level. This is one change I think will be helpful: In the process where regional offices send approvals to State DOTs that they can start bidding, we are going to see if we can move that process up before March 30; and we think we can probably save at least two weeks, maybe three weeks, and with a little luck, more than that. That will help States to be prepared to be able to meet our 60-day use-or-lose-it criteria.

Mr. DeLay. There are a lot of promises here. I think you will find this is a very easy Committee to work with. It is also a—I am not speaking for the Chairman—it is a Committee that is going to hold you to this, because other committees are making the same sort of promises.

For example, HUD has $6 billion in moneys that have not been spent. They want to add another $2.5 billion on top of that and promise to spend it all by December 31, 1994. They make the same arguments you do. So if this passes, then many of us are going to make sure that we hold you to what you say.

I personally would rather see you make those cuts in your department before we do deficit spending, and I would like to see the Clinton administration cuts done before we raise taxes, because even the Director of OMB said before the Senate committee a couple of days ago, he said there will be $36 billion of tax increases next year and only $2 billion of spending cuts in the first year of this plan.

I want to see the spending cuts first. I have been here long enough to see the taxes raised and the spending cuts never happen and a lot of promises made. Both Democratic and Republican administrations have promised the spending cuts, and they have never happened, but they get all the tax increases, waiving requirements.

EMPLOYMENT GAINS AND LOSSES

Mr. DeLay. First off, has the administration done any study over how much this increased deficit spending, how many jobs this increased deficit spending will cost? I mean, these 70,000 jobs that you say are going to be created by this package, is that a net increase in jobs? Because when you take this additional money out of the private sector, you are costing somebody jobs. So is this a net increase of 70,000? Have you done a study on how many will be lost?

Secretary Peña. It is my understanding that it is a net increase in jobs, and it is only direct and indirect jobs. It does not include induced jobs or direct, indirect, or induced jobs as a result of matching funds by the States. So we think the 70,000 figure is conservative.

DAVIS-BACON REQUIREMENTS

Mr. DeLay. There was an article in the Wall Street Journal saying the Clinton plan, if implemented as stated, will cost the country 200,000 net jobs, we will lose that many jobs. The plan is going to be evaluated over the coming days and months.

There is one more requirement that I am really interested in. We are going to spend $4.16 billion of deficit spending for stimulus, and yet I see no mention of waiving Davis–Bacon. Davis–Bacon, as you know, is an onerous paperwork burden on local entities of having to come up, month in and month out, with the prevailing wages that are spent on construction projects. Worse than that, it inflates the cost of construction projects by—some say 10 percent, estimates go all the way up to 25 percent.

If we just waived Davis-Bacon on highway projects, you would almost come up—on this, you would save $400 million if it is at 10 percent, $400 million that would go into extra jobs; yet the administration doesn't seem to want to save that money. I don't understand why.

In some programs in my other committees they are waiving Davis-Bacon in some and not waiving it in the big ones. Would you support an amendment to waive Davis–Bacon, at least on this $4.16 billion, so we could save $400 million and put that into extra jobs?

Secretary PEÑA. I have had a lot of experience with Davis–Bacon at the local level. I must tell you—and perhaps I am the lone voice here—that it was not a significant problem for me as mayor of Denver, not in getting projects done, in creating good-paying jobs for people who are unemployed in our communities. Perhaps that is not the result elsewhere, but I can only speak from personal experience.

I would not propose that we waive the Davis–Bacon requirements.

Mr. DELAY. What about the money you would save? Everybody recognizes that it inflates the cost of construction projects.

Secretary PEÑA. I think it is a function of how you calculate the wage rate. There are different ways it is done in different communities.

I recall in Denver we had this debate and we had to adjust it; once we adjusted it, I think it was more in keeping with wage levels for the industry in the metropolitan area.

I think it is always going to be a contentious issue. I don't think at this time that we are prepared to waive that. At least that is my position. I don't speak for the President.

Mr. DELAY. It is unfortunate because you are excluding the very people you are targeted to create jobs for—the lowest income, minorities, that can't get into it because you have inflated the wage rate. Most wage rates that are set; the reason maybe it wasn't but a paperwork burden for you is that most of the wage rates are prevailing union rates, and what happens is you take moneys that could go to create jobs for the entry level.

Would you at least support an entry level-type waiver, an apprentice-type waiver, a training waiver so that lower-income people could be brought into this extra money and extra jobs?

Secretary PEÑA. Again, we would have to discuss that at the Cabinet level to see if there is a consistent approach. If there were going to be a provision like that, it would have to be consistent throughout the administration.

Mr. DELAY. I would hope so. It seems to me we jumped out there, and we will have a bunch of deficit spending and haven't looked at areas where we could save spending by a simple waiver. I think you would get even more stimulus than pulling deficit moneys out of the private sector, when you could look at government first and the way government wastes money first; and then you could accomplish most of what you have got in your stimulus package by eliminating the waste, by some of the policies of our government.

Thank you, Mr. Chairman.

MINORITY MEMBERS REQUEST FOR HEARING

Mr. Carr. The gentleman from Virginia, Mr. Wolf.

Mr. Wolf. I thank the Chairman for the opportunity and apologize for not being here. I was handling a bill on the Floor with regard to the Hatch Act.

I wanted Mr. Carr to know Minority Members are asking for another day of hearings. I think there is a feeling that this will be railroaded through quickly without there being an opportunity for debate.

Mr. Carr. Would the gentleman yield?

Pursuant to Rule XI, Clause 2 of the House Rules and Section 5(d)(1) of the Rules of the Committee on Appropriations, which permits the Minority Members to request one day of hearings on any matter before the Subcommittee and that a majority of the—in fact, a unanimity of the Minority Members has signed a letter to me asking for such a hearing, we will meet tomorrow at 9 o'clock for the second day of hearings.

I would ask the Minority to supply a list of witnesses as soon as possible that they wish to have before the Committee so we might notify them. That is for the benefit of everyone who is listening as well.

Mr. Wolf. Mr. Secretary, are you available tomorrow morning at 9:00?

Secretary Peña. I don't know. I will check. This is my second hearing today, and I think I have another meeting with the Public Works Committee.

[The letter from the Minority Members follows:]

Congress of the United States
House of Representatives
Washington, DC 20515

February 23, 1993

Honorable Robert Carr
Chairman
Subcommittee on Transportation
Committee on Appropriations
H-218 Capitol
Washington, D.C.

Dear Mr. Chairman:

Pursuant to Rule XI, clause 2 of the Rules of the House of Representatives and Section 5(d) of the Rules of the Committee on Appropriations, which permits the minority to request one day of hearings on any matter before the subcommittee, we respectfully request that the minority be permitted to have an additional day's hearing with witnesses requested by the minority, to be scheduled at a mutually convenient time. We do not believe that a short hearing is sufficient time to address adequately the programs contained in the package.

Sincerely

Frank Wolf
Ranking Republican Member

Tom DeLay

Ralph Regula

COAST GUARD PRAYER BREAKFAST

Mr. **Wolf**. If you could come back tomorrow, we would appreciate it. One issue—and I don't want to embarrass you, so you don't have to answer for the record, but get back to me—we got a report that the Coast Guard cancelled its prayer breakfast because of political pressure from Capitol Hill at the very time that the President of the United States was attending a prayer breakfast with many Members of Congress, both Republicans and Democrats. That would be unfortunate if that were the case and I am sure it is the case.

I am not asking you now, but I would appreciate it if you would get back to me and let me know what actually happened. I think when the tickets were sold and people decided a certain speaker should be the speaker for the Coast Guard prayer breakfast; and then a particular Member of Congress or a committee calls up and demands that that prayer breakfast be cancelled, I think that is wrong. Also, it is not good for the morale of the Coast Guard, and when the President of the United States at the same time is attending a prayer breakfast, it sends the wrong message.

Secretary **Peña**. Do you think it was an issue of the person who was attending the prayer breakfast?

Mr. **Wolf**. I don't know. I don't think that is that important. I think whoever the Coast Guard wants to have as their speaker at a prayer breakfast is their choice. If they want to have anyone of any religious faith, I think it is appropriate and I think that it is inappropriate for the government to reach in and cause it to be cancelled.

We had on the Floor today, the repeal of the Hatch Act. The FEC wants to be exempted from this legislation. Others want to be covered by it. It was ramrodded through. It concerns me when politics thwarts the governmental process—such as the cancellation of the prayer breakfast and the repeal of the Hatch Act without an opportunity for amendments.

Secretary **Peña**. You have raised it publicly, but I will be happy to look into it.

EFFECTS OF THE PROPOSED STIMULUS

Mr. **Wolf**. I heard one person from the administration say that the stimulus package was so little that it didn't matter. Do you think there is any truth in that?

Secretary **Peña**. Who was it?

Mr. **Wolf**. I don't know.

Do you think there is validity to that, that the stimulus is so small that it doesn't matter?

Secretary **Peña**. My view is that the stimulus package is important. I think it will be helpful. I believe that our economic analysis of the stimulus package and the total package is that it is an appropriate thing to do today.

Mr. **Wolf**. Did you look at the testimony from economists who testified here with respect to the stimulus package?

Secretary **Peña**. I am aware of the testimony. My staff briefed me on some comments made.

Mr. **Wolf**. Do you have any comments on those?

Secretary Peña. There were different sorts of testimony. I would be happy to try to address a particular perspective that was raised. I am trying to recollect here—one of the witnesses indicated that investment in transportation projects was not helpful as it respects stimulus. I disagree.

Mr. Wolf. Also that maintenance would be better than new starts.

Secretary Peña. This stimulus package—and let me apologize if I repeat answers—of the $3 billion that will go into the highway piece of ISTEA, we estimate that at least a billion dollars will go into RRR work. One witness did say that is a very cost-effective investment because it is preventive and far cheaper than having to totally rebuild a road. So we agree with the investment in RRR.

Mr. Wolf. I plan on voting against the package. I think the deficit is one of the most important issues that we have to face.

It does appear that we are saying we are going to go on a diet to deal with the deficit, but before we go on a diet, we are going to have one last big piece of pie.

I think a lot of people are upset that you are going to spend 30 billion dollars before you begin the process of reducing the deficit. Does that trouble you at all or do you feel comfortable with it?

Secretary Peña. I think, Congressman, what troubles America is that for the past years we have been adding to the deficit in record numbers. I think that is what Americans are upset about. I think they supported this President because they believe that they can get this deficit under control.

This is a four-year program. I think it is a bold program. I can't recall in recent history where a President has proposed this kind of a program which is a real commitment to deficit reduction. We are committed to it and I believe we can get the job done.

COST OF CREATING JOBS

Mr. Wolf. How much will each job cost? I saw figures that indicate creating each of these jobs you are talking about will cost anywhere from $45,000 to $50,000 per job.

Secretary Peña. Well, I guess it depends on how you do that calculation, Congressman. For example, if you are including direct, indirect and induced jobs, which I think is a fair way of looking at stimulus and job creation, because induced jobs would not result but for the investment, you probably would get a different figure. So not knowing what the calculation is in the figure, I am not able to respond to the point that you have made.

I can tell you that in our transportation investment area, our goal is to create 70,000 jobs by the end of 1994, and again, those are just direct and indirect jobs. They do not include induced jobs.

Mr. Wolf. Well, I think we could go a round. I know your position, and respect you as a member of the Cabinet. I think it is inconsistent to have a deficit reduction package that spends this money, particularly at a time when we are coming out of the recession. And as Mr. Carr said, every State highway director will say that they can use the money.

It is such an important issue, and I am pleased the President did put a package forward. But $30 billion of additional spending before you increase the deficit reduction, I think, is a mistake. But, obviously, you have the votes; I think it will probably pass in the House and in the Senate.

I believe that the Congress would be doing the administration a favor if we were to deny the money, because I think without your stimulus package, your deficit reduction package would be much, much stronger. I think the markets would see it that way, but you know, we can disagree, and let me just again thank you for the opportunity to speak to you.

Thank you, Mr. Chairman.

Mr. CARR. Thank you, Mr. Wolf.

Mr. Secretary, I might say that I did agree with your numbers on job creation. I have been looking at this subject for oh, probably three years now, and you see everything from $1 million creates 24 jobs to $1 million creates 60 jobs, and I think your job estimate, as you say, is on the conservative side. I appreciate your giving us that conservative estimate.

I hope that you would do that on a lot of your estimating here. I find that when it comes to ridership forecasts and transit and aircraft operations at airports and vehicle miles traveled and jobs created, there is a lot of rosiness in the projections, and I am heartened that you are giving us some realism and some sobering, sobering kind of news.

TRANSIT DISCRETIONARY OUTLAY RATES

Mr. CARR. According to the budget justification material, $122 million of the $270 million requested for discretionary grants for buses and bus maintenance facilities will be expended in fiscal year 1993. That equates to an outlay rate of 45 percent of the discretionary bus program. That compares with the normal spendout rate of 2 percent in the first year for that account.

Now, you might say that the outlay rate has been increased because you target the funds for only bus purchases; however, the Congressional Budget Office apparently doesn't agree with you. Their preliminary estimate, just received by phone late this morning, estimates that the outlay rate for just the discretionary bus activity—excluding the slower spending fixed highway programs will only be 5 percent.

How do you respond to the observation that it appears someone tried to jack up the spend-out rate artificially and that CBO isn't buying it?

Secretary PEÑA. Mr. Chairman, I believe the answer to that particular question is that our estimate is the standard rate, at least in the formula grants, of 5 percent the first year. The discretionary grants are a first-year rate of 45 percent and 55 percent the second year, because they go primarily to bus purchases. So there is a difference in the formula grants and in the discretionary grants.

Mr. CARR. Well, we have a serious mismatch with CBO, and they generally have conservative estimates, too. I hope maybe Ms. Collins could contact them and resolve this apparent inconsistency?

Ms. COLLINS. If I may——

Secretary PEÑA. With the Chairman's permission, could I have Ms. Collins speak to this?

Mr. CARR. Yes.

Ms. COLLINS. I would be happy to follow up, but these were outlay rates that OMB, I am told, worked out in consultation with CBO. So I do believe that they are aware of these, and I will follow up to see whether or not they are.

Mr. CARR. Maybe you will have a little more luck getting in touch with OMB than this Chairman of the Committee has had. So I really would like to know that.

One of the things that I was so heartened by in the President's remarks the other night was that we were not going to have OMB numbers that were artificially inflated; that we were going to use CBO numbers. That has been one of the reasons for gridlock for the last 12 years. They don't answer my phone calls very expeditiously, so maybe they will answer yours. Maybe you could help us figure this out.

It seems the President has given us clear direction on this, and maybe someone over at OMB didn't get it. I am not sure. But we would like to make sure that we are all singing from the same sheet of music or looking at the same documents.

It has been a long day and you have been most kind and generous with your time. You were before our colleagues in the Senate early this morning, and as Mr. Wolf said, he would like to have you back perhaps tomorrow.

I might inquire, Mr. Wolf, is Mr. Peña your only witness?

Mr. WOLF. No. We are going to ask a few others.

GEOGRAPHIC EQUITY AND TOP ISTEA-FUNDED STATES

Mr. CARR. I have one nagging problem, and I think you know that because you and I have certainly talked about it, and that is the problem that I have with the use of ISTEA the way it is.

Some of the other Committee Members have focused on other aspects of ISTEA, but you know, Mr. Secretary, there are some glaring inequities in ISTEA. With all due respect to our friends on the authorizing committee who tried to do a very good job, and I think generally they did; nonetheless, there is nothing about ISTEA that suggests to me that it is not biased.

For example, and I am going to ask that this chart be inserted into the record.

[The chart follows:]

COMPARISION OF ISTEA FEDERAL AID HIGHWAY FUNDING AND SELECTED CRITERIA FOR THE TOP 8 ISTEA-FUNDED STATES

STATE	POPULATION	ROAD MILES	MILLION VMT (`91)
California	30,594,537	165,881	257,976
New York	18,261,955	111,442	107,661
Texas	17,469,298	293,509	158,756
Pennsylvania	11,916,630	116,688	87,282
Illinois	11,544,433	136,171	85,430
Florida	13,196,855	109,374	113,483
Ohio	10,921,925	113,565	93,002
New Jersey	7,774,411	34,268	59,289
Total, Top 8 States	121,680,003	1,080,898	962,879
Top 8 States % of U.S. Totals	48%	28%	44%
Michigan	9,361,331	117,545	81,935

TOP ISTEA-FUNDED STATES

Mr. Carr. It appears that 43 percent of the money in ISTEA normally, not just talking about the additional money that you seek to provide the program—43 percent will go to only eight States. Now, while it is true that these eight States have 48 percent of the population, and 44 percent of the vehicle miles traveled, they only have 28 percent of the roads in this country. Furthermore, when you look at the ranking of these eight States, either by population or road miles or vehicle miles traveled, you get some astounding differences.

Now I might say for the record that the eight States in descending order of dollars that they will receive under ISTEA and hence, the stimulus package are as follows: California, New York, Texas, Pennsylvania, Illinois, Florida, Ohio, and New Jersey. Now, New Jersey is the ninth largest State. The eighth largest State happens to be Michigan. The plot thickens.

In road miles, Michigan comes in fourth. In vehicle miles traveled, it comes in eighth. And New Jersey, which is ninth in population, is 41st in road miles, and is 11th in vehicle miles traveled.

I wonder who was from New Jersey? You see, Mr. Secretary, why some of us from Michigan have a problem here? It does not appear as though ISTEA eligibility is necessarily based on equity. And it is very hard for this Member of Congress from Michigan not to mention all the other States that perhaps are not fairly dealt with to think that there is much virtue in an ISTEA formula. That is our problem.

Michigan has one of the highest unemployment rates in the Nation. My district has among the highest unemployment rates in the State. And we are asked to support a piece of legislation that is going to dole out money inequitably. I think herein lies a problem that I really am forced to address.

I might say, Mr. Secretary, that one of the reasons—and it is not a very perfect device—that you get highway demonstration projects is oftentimes it is to try to redress some of these inequities. But here and now and very publicly, I want to reiterate what I told you privately a few weeks ago. I personally am appalled, as I know you are, at the large amount of unspent dollars in demonstration accounts. And I pledge to you to work with you in an effort to go through those demonstration projects, project by project, to get a status and an evaluation of where those projects are and why the money is not being spent.

Where we can, we might identify some projects where the money could be either rescinded or reprogrammed for a much better use for our country. That only makes sense. We want to help you in that effort. But that effort will have to be a partnership, obviously. We have a lot of sensitivities among a lot of States and a lot of Members about these kind of activities, and we won't want to do anything without consulting them as well.

The last time we met it was $600 million. It has gone to a billion now in unspent demonstration money. That isn't good for our economy; it is presumptive anyway, or prima facia not good public investment. That is not what this Committee is about, so we look forward to working with you.

EXCERPTS FROM MS. PENNER'S FEBRUARY 4 TESTIMONY

You have been very patient, and I thank you.

Mr. WOLF. I wanted to submit for the record, excerpts from a statement by Mr. Penner who used to be head of the Congressional Budget Office. He said a stimulus spending package, financed by tax increases, is a contradiction in terms. There would be no increase in aggregate demand.

In any case, $20 billion is lost in the noise of a $6 trillion dollar economy. So I stand corrected. It was not somebody in the administration. It was Mr. Penner. But I think it does make sense that this is so small and so insignificant and cannot be spent that quickly that your deficit reduction package would be more credible, frankly, if you didn't have it.

[The information follows:]

Mr. PENNER. There is one generalization about public investment programs that I feel confident in making. They should never be used as part of a stimulus program. It simply takes too long to get them going and too long to get them completed. This was always true, but it is even more true in this day of complex regulations, such as those requiring environmental impact statements, and the "not-in-my-backyard" phenomenon.

You will hear from mayors, governors, and Federal agency heads that they have projects on the shelf, ready to go except for a lack of funding. When you try to get them off the shelf, you will find it a much more arduous struggle than anticipated. That was certainly true of President Carter's Accelerated Public Works program that was still spending money many years after enactment. If a new program were enacted tomorrow, I feel confident in predicting that far less than one-half of the appropriation will have been spent one year from now and that there will still be significant spending five years from now.

Another problem is that haste does make waste. Even if it is true that some projects are ready to go, it would be a colossal accident for those projects to be the ones with the highest rates of return. Why waste scarce budget dollars on low rate-of-return projects? There are much more rapid ways of stimulating the economy, although it must be emphasized that none works with lightening speed. That makes me strongly believe that it is undesirable to engage in a stimulus program this far into a recovery, but that is not what I am testifying about today.

USE OF INTERSTATE MAINTENANCE APPORTIONMENT FORMULA

Mr. WOLF. The question I wanted to ask, as I looked at the figures, would there be more jobs, and you didn't directly answer it—would there be more jobs if the formula was based on current law or based on interstate maintenance?

If you put all of the money in one versus the other, what would create more jobs?

Secretary PEÑA. Congressman, I don't have an answer to that question. I mean the dollar amounts would be the same, but I don't know if we had done a calculation.

Mr. WOLF. But you would move one faster I think than the other, and it would have greater impact. Both Dr. Heywood Sanders from Trinity College, one of our witnesses a few weeks ago, and George Will, in a column, indicated this would be the case. Could you look into this?

Secretary PEÑA. Sure.

[The information follows:]

We have not analyzed whether there would be more jobs if the Interstate Maintenance apportionment formula, rather than the ISTEA formula, were used for distributing additional obligation limitation. We do not believe that projects would be likely to move any faster, however, because our proposed "use it or lose it" provision will ensure that the additional obligation limitation will be put to use quickly or redistributed to other States where it can be. To the extent that wage rates vary in different regions, it is possible that a formula that sent more funds to States that had low wage rates might generate more jobs, but that is not the only goal we have with respect to the additional Federal-aid highway funding. We want to make good investments in our infrastructure to promote productivity, and we believe the best way to do that is to work within the existing ISTEA structure.

DEDICATED STATE GASOLINE TAXES

Mr. WOLF. Assuming the package is passed· that might give you more economic stimulus and more jobs, and do more good than the other formula.

Another concern is local priorities and dedication of resources. New York collects a per-gallon gasoline tax of 23 cents a gallon, but for years, only 8 cents has been dedicated to transportation. In Virginia, my State, our gas tax is 17-and-a-half cents and all of it is dedicated to transportation. Do you have any thoughts about that?

Secretary PEÑA. Well, Congressman, obviously coming from a state that has a gas tax that we committed essentially to highway usage, transportation usage, I think there is a general philosophy that that is probably the most consistent way to use those kinds of funds, because at least there is a correlation between the tax and the user.

However, citizens in other states have decided to use their tax revenues otherwise, and I guess I would not be prepared to second guess the people in New York.

Mr. WOLF. And New York hasn't increased or changed it in 20 years, and most other states have. Do you think, though, that the Congress should look at this? Because there have been concerns that money was going into stadiums and arenas and different things like that.

Should there be some reward to the states, perhaps Colorado and Virginia, that are taking their gas tax money and putting it into roads and infrastructure?

Because it also came out in the hearings, that only four States had fifty percent of the deteriorating bridges. I think New York had 50 percent of those bridges, and all you have to do is go to New York City, and the decay is obvious. Clearly the city is in trouble and could use any help. But if a State isn't doing its fair share by allocating the gas tax to infrastructure, should the Congress provide an incentive to the States to put more money into the roads and infrastructure, and create jobs, rather than "rewarding" states which have used their transportation resources for other things?

Secretary PEÑA. Congressman, I guess I would want to find out—and I don't have the answer to this question—if there are other revenues that the State is using to apply to other transportation needs in that particular State, and I just don't know. So I would like to sort of get the big picture and ask the question is it only gas tax funds that are being raised in that State for transportation purposes or are there other revenue sources that are being used, and I don't know the answer.

Mr. WOLF. Connecticut has a 25-cent-a-gallon gas tax and all of it goes towards infrastructure. And when you are driving through New York and going to Connecticut you can tell the difference. And I think there ought to be some incentive to the States that are using the gas tax money for its intended purpose.

Obviously it is very painful to raise gas taxes. Every time we do it in the State of Virginia, it is a big, big battle. But the State has been forward looking and has raised the taxes, but at least the people know that by paying those additional taxes, they are improving roads and bridges and things like that. Whereas in New York, the people are paying 23 cents on the gallon, but only 8 cents is being used for road and bridge improvements.

Thank you. I have no further questions.

UNAUTHORIZED APPROPRIATIONS

Mr. CARR. Thank you.

Finally, Mr. Secretary, your proposal requests that we do things that are unauthorized; is that not correct?

Secretary PEÑA. Well, in rail and in transit, that is correct, Mr. Chairman.

Mr. CARR. And the language that you propose in the ISTEA legislation, the use-it-or-lose-it rules?

Secretary PEÑA. Yes.

Mr. CARR. Which would be, if we did that, if we acceded to your request, we would be legislating in an appropriations bill; is that right?

Secretary PEÑA. That is correct, Mr. Chairman. Yes.

Mr. CARR. Once again, you have been most generous with your time. I look forward to working with you.

Secretary PEÑA. Thank you, Mr. Chairman.

TUESDAY, FEBRUARY 23, 1993.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

WITNESSES

W. GRAHAM CLAYTOR, JR., PRESIDENT AND CHAIRMAN OF THE BOARD, AMTRAK

DENNIS F. SULLIVAN, EXECUTIVE VICE PRESIDENT, AMTRAK

WILLIAM S. NORMAN, EXECUTIVE VICE PRESIDENT, AMTRAK

PETER A. CANNITO, VICE PRESIDENT FOR ENGINEERING, AMTRAK

ELYSE G. WANDER, VICE PRESIDENT, CORPORATE PLANNING AND DEVELOPMENT, AMTRAK

THOMAS J. GILLESPIE, JR., ASSISTANT VICE PRESIDENT, GOVERNMENT AND PUBLIC AFFAIRS, AMTRAK

Mr. CARR. Our next witness will be Graham Claytor. It is always a distinct pleasure to welcome you back to the Committee, Mr. Claytor, and for the benefit of the other Members of the Committee, I would merely indicate that Mr. Claytor has been very patient today. I estimated that he would be testifying long before now, and that he must depart no later than 4:45. So if we could keep our questions short, I am sure he would appreciate it.

It is always nice to see you. You are one of the Nation's rail leaders. You have taught this Committee a lot over the years and we always look forward to seeing you.

STATEMENT OF W. GRAHAM CLAYTOR, JR.

Mr. Claytor. Thank you, Mr. Chairman. It is always a pleasure for me to be here.

I would like to introduce the Amtrak personnel with me. On my right is Dennis Sullivan, Executive Vice President and Chief Operating Officer, and, on my left, William S. Norman, Executive Vice President. Behind me and available to help answer questions are Peter Cannito, Vice President of Engineering; Elyse G. Wander, Vice President of Corporate Planning and Development; and Tim Gillespie, Assistant Vice President of Government and Public Affairs.

Mr. Chairman, in view of the lateness of the hour, I would like to go directly to the part of this proposal that concerns Amtrak.

The President's proposal for economic stimulus spending includes $188 million for inner-city passenger rail.

As the Subcommittee considers this proposal, I want to make two points that I think are particularly important.

First, and this question has been raised before in this hearing, none of the projects Amtrak has proposed include any make-work projects. Every item addresses a particular capital need that has long-term benefits, and has had to be postponed for lack of funding. The projects were not thought up just for this purpose. They had already been identified. But we had to put them on ice because we didn't have the money to complete them.

In addition, every project will speed the improvement of Amtrak's infrastructure.

Second, Amtrak can put this funding to immediate use in creating jobs. We fully intend to utilize this funding this year in a way that will maximize the number of jobs created and the impact on the national economy. In other words, we have a broad enough spectrum so that we are making permanent changes in our capital program and we can do this by hiring people immediately. And one project that will be mentioned in more detail by one of my colleagues later is at Beach Grove, Indiana.

We had to curtail a major equipment overhaul program last summer. We ran out of money. The recession did it. We did not make as much money as we thought we would because of the recession, and the resulting reduction in travel. And we had to lay off 250 people and reduce the overhaul program. Now, it is a very bad business decision to cancel an overhaul program. It is going to bite you later. But after evaluating the options to reduce expenses, reducing overhauls was the only thing we could do that could be done immediately and would not have an effect that could not later be rectified.

Now, one of the first things we would do with stimulus funds is to reinstate the overhaul program and rehire those people still out of work and put them right back to work doing overhauls.

We will go through some of the other projects later. But we recognize how important it will be to ensure that the funds provided to Amtrak serve the purpose for which they were given. To this end, I am establishing a senior level Project Implementation Task Force consisting of our top people that are involved in capital programs. That task force will be supported by a full-time expediter who will be responsible for the implementation of each program that we undertake, and for periodic reports on that progress. Those reports will be shared with this committee.

This task force will proceed at once, as soon as we have a statute that will enable us to go forward.

I am confident that the use of this task force and full-time expediter will enable Amtrak to meet the objectives of the stimulus funding package; the long-term objective of major capital improvements that are going to be permanent, as well as the short-term objectives of getting people back to work quickly. I am satisfied that we can go forward with that.

A partial, but detailed, list of critical capital projects is attached to my testimony. These fall into the following general categories: equipment overhauls, that I have already mentioned; station improvements nationwide; maintenance facility improvements; track and right-of-way improvements; and equipment purchases.

Amtrak has several hundred stations around the country, many of which are in an appalling condition. They can be fixed from small repairs to major repairs, immediately. We have the design work already done for all of them. All we have to do is let a contract, and not being a government agency, we don't have to go through a lot of rigamarole to do that. We can let a contract just as soon as we are authorized to do so. And those stations are located coast to coast. I think largely, they will involve small business, because they are not for the most part major constructions.

Next is maintenance facility improvements. We have a number of shops around the system, some of which were first built in 1908 and 1909, and they have been modestly improved to continue operations, but they desperately need modernization. We plan to work on those. Two of those that are particularly important are in Los Angeles and in Boston where a lot of work on repairing trains at the end of a run, turnaround maintenance we call it, has just got to be done. It is currently done at totally inadequate facilities and in some cases out of doors. That is a permanent improvement and we can go to work immediately.

We have the long-term plans, engineering design for all the work, piece by piece, that is already in hand, and it hasn't been done because we didn't have the money. This stimulus package will provide it.

We have many track and right-of-way improvements on the list. For example, the addition of welded rail where we now have jointed rail, a long-term project, is desperately needed, both to save money and to provide better ride quality.

Finally, we have some locomotive purchases. Now, normally a locomotive purchase is something that takes a long time. You have to make a long-term contract. However, we have some locomotive contracts outstanding right now. We can add on to the end of those contracts another eight or ten locomotives that we desperately need, just by placing a telephone call. And that work would go forward. That would be additional employment at the locomotive manufacturer.

We also have a lot of small equipment purchases that can be made. In the process of having to reduce our expenses, we quit buying automobiles, maintenance trucks and other equipment last year and decided we could get by with the ones we already had. Not a wise economic thing to do, but one that we could live with.

Now we need to go back and replace that equipment before it actually falls apart.

Mr. Chairman, I strongly believe that Amtrak can make a significant contribution to the President's proposal to stimulate jobs and improve the Nation's transportation infrastructure.

We appreciate the confidence that has been placed in us and we will do everything in our power to ensure that these objectives are met. But I do want to make it clear that this is not a jobs bill. This is a capital improvement bill of items that have had to be postponed primarily because of the recession.

Thank you very much. My colleagues and I will try to answer questions. I do have to leave because of a doctor's appointment. So I do have to go about ten minutes of five.

Thank you very much.

Mr. CARR. Thank you very much, Mr. Claytor.

[The prepared statement of Mr. Claytor follows:]

TESTIMONY OF

W. GRAHAM CLAYTOR, JR.

PRESIDENT AND CHAIRMAN OF THE BOARD
NATIONAL RAILROAD PASSENGER CORPORATION

BEFORE THE

SUBCOMMITTEE ON TRANSPORTATION
AND RELATED AGENCIES APPROPRIATIONS
U. S. HOUSE OF REPRESENTATIVES

February 23, 1993

My name is W. Graham Claytor, Jr. I am President and Chairman of the Board of the National Railroad Passenger Corporation, better known as Amtrak. I am extremely pleased to be before this Subcommittee today to discuss the President's proposal to include funding for intercity passenger rail projects in its economic stimulus package.

At the outset, let me state that I am delighted that the Administration views investment in intercity rail passenger infrastructure as a key component in addressing the economic, transportation, and environmental needs of this nation. Amtrak has struggled very hard over the last decade to demonstrate the many benefits that energy efficient, environmentally superior rail passenger service can play in this country. Importantly, despite many attempts in the 1980s to eliminate Amtrak, interest in and demand for rail passenger service is at an all-time high. The enormous national media coverage of Amtrak's recent testing of the Swedish high-speed X2000 train is indicative of the support for improved national rail service and great optimism that so many in this country have for its future. Amtrak is extremely appreciative of the President's support for Amtrak and high-speed rail, and we will do our very best to demonstrate that his confidence in Amtrak is not misplaced.

The President's proposal for economic stimulus spending includes $188 million for intercity passenger rail. As the Subcommittee considers this proposal, I want to make two critical points:

- First, Amtrak can put this funding to immediate use in creating jobs. We fully intend to utilize this funding this year in a way that will maximize the number of jobs created and the impact on the national economy.
- Second, none of this includes any "make-work" projects. Every item addresses a particular capital need that has had to be postponed for lack of funding. In addition, every project will speed the improvement of Amtrak's infrastructure.

We recognize how important it will be to ensure that the funds provided to Amtrak serve the purpose for which they were given. To this end, I am establishing a senior-level Project Implementation Task Force to oversee the commitment and expenditure of these funds. This Task Force will consist of corporate officers concerned with our long-term capital programs. In addition, a full-time expeditor will be responsible for project implementation and periodic progress reports. This Task Force will have three functions:

- Review and adjust internal procurement procedures where appropriate to expedite the process required to implement improvements. Amtrak's Inspector General will review any changes made to protect the integrity of the procurement process.
- Prioritize candidate projects to maximize the impact on job creation, address Amtrak's most pressing needs and produce significant infrastructure improvements for rail passenger service.

- Oversee on-going projects to ensure that they proceed on schedule and take whatever actions are necessary to permit timely completion.

I am very confident that the use of such a task force and full-time expeditor will enable Amtrak to meet the objectives of the stimulus funding package. Amtrak's management intends to take a very active role in this process.

While this subcommittee will determine what level of funding ultimately would be provided to Amtrak in a congressionally enacted stimulus bill, based on what we know today, Amtrak would definitely obligate the funds to address high-priority capital issues well before the end of this fiscal year. A partial but detailed list of critical capital projects is attached to my testimony. These include:

- Equipment Overhauls: Amtrak has been forced in the past two years to reduce the number of overhauls performed with capital funding at our Beech Grove, Indiana, and Bear, Delaware, maintenance facilities. This directly impacts the quality of service we are able to provide our customers and has resulted in increased equipment failures, poorer reliability, and trains that do not meet the level of service we want to provide our passengers. Amtrak would apply between $60-81 million of any economic stimulus funding to *immediately* increase employment at our maintenance facilities to undertake the maximum number of equipment overhauls this year.

- Station Improvements: Due to limited capital resources and competing needs, Amtrak has rarely been able to commit sufficient funding for station improvements and has depended on states and localities to pick up these costs. Employee facilities are also in need of repair. The economic stimulus proposal offers us a unique opportunity to utilize these funds in a way that could generate a state match and result in a federal/state partnership for station improvements across the Amtrak system.

- Maintenance Facility Improvements: Like stations, Amtrak has been unable to keep pace with needed maintenance facility investment. We need to replace an antiquated and earthquake-sensitive maintenance facility in Los Angeles, California. We also need to extend the car shop in Boston, Massachusetts and rebuild a critical transfer table at Beech Grove, Indiana.

- Track and Other Right-of-Way Improvements: Many capital track improvements on the Northeast Corridor have been deferred in recent years due to budgetary constraints. These include the installation of concrete ties, continuous welded rail, track undercutting, and drainage improvements. Over time, these improvements must be undertaken to provide safe and reliable rail service, as well as to reduce long-term maintenance costs. The improvements are labor intensive and involve use of materials that are readily available on short notice. Amtrak would use the new funding to undertake this year an aggressive track improvement program that will have a significant short-term employment impact and provide long-term improvement of the rail line.

- Small Equipment Purchases: Economic stimulus funding would permit Amtrak to create jobs in the automotive and equipment supply industries by purchasing a wide range of off-track support equipment. Amtrak frequently defers these expenses to make do with older, unreliable or expensive, leased equipment when new equipment is unavailable. These purchases will enhance productivity and allow us to comply more readily with FDA requirements.

- Locomotive Purchases: The acquisition of 10 to 20 diesel and dual-mode locomotives and 15 switching locomotives will enable us to accelerate our locomotive replacement program. It will help us to improve reliability and reduce fuel and maintenance expenses associated with old motive power. This will create jobs in the locomotive manufacturing industry as well as among its suppliers.

In conclusion, I strongly believe that Amtrak can make a significant contribution to the President's proposal to stimulate jobs and improve the nation's transportation infrastructure. We appreciate the confidence that has been placed in Amtrak and will do everything within our power to ensure that the President's objectives are met.

I would be pleased to answer any questions you may have.

ATTACHMENT

AMTRAK
Economic Stimulus Projects

Programs	Range of Expenditures (Millions)	Approximate Range of Person Years*
Equipment Overhaul - Restore and maintain the passenger car and locomotive overhaul programs at Amtrak maintenance facilities in Beech Grove, IN and Bear, DE recalling at least 257 furloughed workers	$60.0 - 81.0	491 - 663
Station Improvements - Complete a comprehensive nationwide station and crew facility restoration including major improvements in Washington, Springfield (MA), Philadelphia, Baltimore, New York, Seattle, Portland, Sacramento, Los Angeles, San Bernardino, Albuquerque, Denver, Chicago, Detroit, Toledo, Albany/Rensselaer, Charlottesville, Lorton, Lynchburg and Tampa.	$42.9 - 85.0	804 - 1593
Maintenance Facility Improvements - Construct new and rebuilt facilities in Los Angeles, CA Boston, MA and Beech Grove, IN. Develop software systems to improve work management.	$20.0 - 30.0	283 - 383
Track and other Right-of-Way Improvements - Acquire and install continuous welded rail and concrete crossties in mainline track. Upgrade yard and servicing tracks. Restore culverts and drainage. Improve catenary poles. Possibly include New York - Boston high-speed rail improvements.	$17.7 - 90.4	306 - 1561

AMTRAK
Economic Stimulus Projects

Programs	Range of Expenditures (Millions)	Approximate Range of Person Years*
Small Equipment Purchases - Place orders with vendors for a variety of off-track support equipment. This would include highway vehicles (trucks, crew buses, police vehicles, etc.), maintenance facility equipment, maintenance of way equipment (backhoes), material handling equipment and commissary vehicles (refrigerated tractors, carriers and storage units.)	$12.9 - 22.9	194 - 344
Locomotive Purchases - Expand current order to include purchase of 10 to 20 more diesel and dual-mode locomotives to replace worn out locomotive and Turboliner equipment. Purchase 15 switching locomotives.	$34.5 - 64.5	518 - 968
Totals	$188.0 - 373.8	2596 - 5512

*A person year equals one person employed for one year.

February 22, 1993

AMTRAK'S ORIGINAL REQUEST FOR STIMULUS FUNDS

Mr. CARR. I only have one question and perhaps a follow-up. How much was the stimulus list that you submitted to the Department when asked?

Mr. CLAYTOR. You mean the——

Mr. CARR. How much money did you request could be spent right away by Amtrak?

Mr. CLAYTOR. We had $188 million that was provided and it could go up to about twice that amount. It is flexible.

Mr. CARR. In other words, you submitted a list——

Mr. CLAYTOR. Yes, sir. We have it attached to my testimony.

Mr. CARR. But I mean you submitted a list with the stimulus package in the amount of how much?

Mr. CLAYTOR. Mr. Norman will answer.

Mr. NORMAN. Mr. Carr, the original submission that we made had a total of $2.9 billion of projects.

Mr. CARR. $2.9 billion, and can you give a rough breakdown of what that would be for?

Mr. NORMAN. Yes. They were the general areas, as Mr. Claytor has already indicated, such as the capital equipment overhauls, station improvements, maintenance facility improvements, et cetera. What we have done in each one of those cases is take the entire capital program and draw the line wherever you want to draw it.

Mr. CARR. Did it include capital improvements, maintenance of right-of-way and tracks?

Mr. NORMAN. Yes, sir.

Mr. CARR. When you pared it down, it seems you took that out of the list.

Mr. NORMAN. What we did, sir, in that particular situation is to take the overall list, prioritize them in terms of the guidelines that were presented to us, and that is the basis for what we have done today.

Mr. CARR. Thank you.

Mr. Wolf.

CONFIDENCE IN AMTRAK'S PROPOSAL

Mr. WOLF. I thank you, Mr. Chairman. I welcome Mr. Claytor. I just have one question. Do you feel pretty confident with all of these? Where did your confidence level kind of wane as you went up this list? The $2.1 billion, did you say?

Mr. NORMAN. $2.9 billion.

Mr. WOLF. At the $2.9 billion figure, were you as confident there as you were at the $1.8 billion figure? Were these all meritorious projects, or did it get a little tenuous?

Mr. NORMAN. We have been in the situation for about the last decade of being so capital starved that year after year we have had to defer our needed capital projects and take the ones that were mandatory. So the list we developed includes projects that we believe not only are fully meritorious, but are things that we have been looking at for a long time, and simply have not had the money to expend.

Mr. WOLF. Does this run counter to the President's package?

Mr. CLAYTOR. We are not asking for this entire amount as the President's package. This is a package from which we are drawing the amounts.

Mr. WOLF. I understand that. They were talking more for a jobs package. You made it clear that this was not a jobs package.

Mr. CLAYTOR. It will have a jobs effect, and we will try to choose those items that have a long-term capital effect, and also have a jobs effect.

Mr. WOLF. So the ones you put up at the top are the most intensive with regard to creating jobs?

Mr. CLAYTOR. They do both. They are capital improvements that we need, but they do create jobs, yes.

Mr. WOLF. But are there any in there that didn't get selected that are farther up that would create more jobs?

Mr. CLAYTOR. I don't know.

Mr. SULLIVAN. I would say no. For instance, right at the top of the list of the $188 million, Mr. Wolf, and the $2.9 billion was the restoration of the furloughed employees at Beach Grove shops. That remains the top priority in this program. So these are truly the highest programs and priority for number one, creating jobs, but also for providing capital investments that we so desperately need in our rail infrastructure.

Mr. WOLF. What is Amtrak's current unobligated balance in its capital account?

Mr. CLAYTOR. Unobligated balance?

Mr. WOLF. You have obligated everything?

Mr. CLAYTOR. Oh, you mean what do we have that is not obligated.

Mr. WOLF. Yes.

Mr. CLAYTOR. Almost everything has been committed. We do this regularly. As a matter of fact, we have committed some expenses subject to reprogramming, because we didn't have the money already appropriated for it. We are so desperate for capital that we don't put anything off just because we don't get to it, I can promise.

Mr. WOLF. Well, Mr. Claytor, you have done a good job, and I don't want this to be taken as any criticism, because it isn't. I just think everybody has looked at this as an opportunity—I don't want to use the word "pork." My own State has told me they could clearly spend another $55 million. They are not able to tell me which projects, but they said they can clearly obligate their share in the required time.

I am concerned, and I know you are concerned too, about a deficit. I fear we may be doing something which creates a greater problem. But I guess your feeling is if it is going to be spent, Amtrak may as well get its share and you think you have done a good enough job.

Mr. CLAYTOR. Well, we think if we don't spend a significant portion of it, Amtrak is going to liquidate itself. Our depreciation has been greater than our total capital improvements for about five years in a row.

FUNDING AMTRAK CAPITAL NEEDS

Mr. WOLF. But let me ask you this: What if President Clinton hadn't been elected, this would not have come down; what would you have done?

Mr. CLAYTOR. We are still trying to get, and we are asking right now, for the Swift bill, HR 4414, which was introduced in the last Congress, to be reintroduced. This legislation would provide one penny of the Federal fuel tax to Amtrak over the next 15 years. And we have a 15-year capital program.

Mr. WOLF. That would be one additional penny?

Mr. CLAYTOR. Just one penny. It is not an additional penny. It is already being assigned to deficit reduction. It is part of the two and a half cents.

Mr. WOLF. I think a lot of people talk about deficit reduction, but it just seems that people don't really think it matters. What I think is going to happen in this country is that we are going to monetize our debt. The government won't have the ability to face the reality, they will print money, and elderly people living on a fixed income will be pretty much wiped out.

I don't blame you for coming and asking for the money, and certainly if the Administration asks you, what could you spend, you certainly weren't reluctant. You came in with $2.9 billion, and your list is probably as valued as any other list, but——

Mr. CLAYTOR. Mr. Wolf, could I comment on that just a minute?

Mr. WOLF. Yes, sir.

Mr. CLAYTOR. Actually, regardless of what the election was, the Administration in power during the next two or three years would have to decide whether or not we want a national rail passenger system because we could not continue to have one if Amtrak did not get a significant amount of the capital we are now talking about. And it has been clear, Amtrak has been capital starved.

As I started to say, for five years our depreciation was greater than the total amount of capital that we got. That means you are liquidating yourself. Any company that doesn't put capital in equal to its depreciation is liquidating itself. And that has been happening.

Now, in the last two or three years, Senator Lautenberg has succeeded in getting the capital money that we need to expand high-speed rail service to New England. I think it plainly is going to be cost-effective in the long run; it is going to save a fair amount of money. But in the future, the kinds of things we have got on this list, if they are not done, we will gradually have to liquidate.

IMPACT OF STIMULUS FUNDS ON FY 1994 CAPITAL REQUEST

Mr. WOLF. What impact will this have on your budget request for this fiscal year?

Mr. CLAYTOR. For this fiscal year?

Mr. WOLF. Coming up. When you come before the committee in a month or two.

Mr. CLAYTOR. We have just filed our request for the fiscal year to come, that is for 1994.

Mr. WOLF. How much are you going to be asking for?

Mr. CLAYTOR. $250 million.

Mr. WOLF. And how did that compare with last year.

Mr. GILLESPIE. We asked for $300 million last year and got $165 million, as appropriated.

Mr. WOLF. And this year you are asking for $250 million?

Mr. CLAYTOR. Yes.

Mr. WOLF. Okay, well, thank you very much, sir. It is close to the time and I appreciate your testimony.

Mr. CARR. The gentleman from Illinois, Chairman Durbin.

Mr. DURBIN. Thank you very much, Mr. Chairman. I apologize for just arriving, but I was chairing another Subcommittee.

Mr. CLAYTOR. It is always a pleasure to see you, Mr. Durbin.

Mr. DURBIN. Mr. Claytor, let me just say, in politics there is a great deal of hyperbole, and what I am about to say is not intended to be that at all, but genuine. We really owe you a debt of gratitude for your leadership at Amtrak. You have survived at least the seven lean years, and maybe more, and brought this agency into a position where it really holds great promise for this country. We all owe you a great debt of gratitude for that, every taxpayer in America does. Though they may not know your name, they should appreciate the fine work you have done.

Mr. CLAYTOR. Thank you. We have had a great team working on this, sir. And I must say that in the lean years, as you put it, we were saved not only by all the effort we could make, but by the members of this committee and of the Commerce Committees of the House and Senate, and from both sides of the aisle. This was not a Democrat–Republican operation. Everyone helped us, and we appreciate it more than I can say.

AMERICAN LOCOMOTIVE MANUFACTURING CAPABILITY

Mr. DURBIN. I am happy, as you noted in your testimony, that Amtrak is included as part of the economic stimulus package. The investment we are making will help to make it even better in terms of the services it provides.

I only have one question and I know you want to wrap up very quickly. On the locomotive purchases, can you tell me where these locomotives are manufactured?

Mr. CLAYTOR. Yes, sir.

Mr. SULLIVAN. We have options on up to 30 locomotives that are manufactured in Erie, Pennsylvania.

Mr. CLAYTOR. General Electric.

Mr. DURBIN. Well, that is good news. And how about this—

Mr. CLAYTOR. Excuse me, sir. We do not have any foreign-built locomotives at all, ever. The Swedish-designed engines, electric engines that we run between Washington and New York, were made by EMD at La Grange, Illinois, under contract.

Mr. DURBIN. Now, you are talking.

Mr. CLAYTOR. Yes, sir, that is right. Have you read about our new X–2000 Swedish train?

Mr. DURBIN. In fact, I rode on it.

Mr. CLAYTOR. If we buy those trains or other trains like them, they will be manufactured in this country. We operate by strict Buy American standards.

Now, the Europeans have developed these advanced features, because at the time they were developed in Europe, there was no market for that sort of thing in this country. American enterprise does not spend billions of dollars on research and development for something they can't sell. In Europe, they could sell it. So these advanced features were developed in Europe.

Now, we are going to import the technology, but we are not going to import the engines. We are going to bring them over here and test them and pick the parts we like and then have them built in this country, and that is the plan.

Mr. DURBIN. We are hoping that some of those engines will be making that run between Saint Louis and Chicago and Detroit some day.

Mr. CLAYTOR. That is one of the things we would like to be able to do, a high-speed run, yes, sir.

Mr. DURBIN. We promise that we will both be on that first run.

Mr. CLAYTOR. Yes, sir.

Mr. DURBIN. Thank you very much.

Mr. CARR. Thank you, Mr. Claytor. We appreciate you and your fine team for being here. We look forward to seeing you, in a month or so when we hold the hearings on your fiscal year 1994 request.

Mr. CLAYTOR. That will be fine. We look forward to it, Mr. Carr, as always. Thank you.

Mr. CARR. Thank you.

TUESDAY, FEBRUARY 23, 1993.

STATES NEED FLEXIBILITY TO SPEND MONEY APPORTIONED UNDER ISTEA FORMULAS

WITNESS

HON. CORRINE BROWN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. CARR. Our next witness is Congresswoman Corrine Brown from the State of Florida. We are delighted to have you here before our Committee. We welcome you. We have your statement; we will put it in the record in full, and ask you to summarize.

Ms. BROWN. Thank you, Mr. Chairman, and thank you, Members.

First of all, let me say that the Clinton package is the Corrine Brown package. That is what I have told my constituents, and I am 100 percent supporting it. But there are a couple of issues that I think we need to raise, and I think, Mr. Chairman, I was listening to your comments on your questions when you were talking to the Secretary pertaining to the formula. It is really a problem for Florida.

In addition, the Governors testified before our committee. We had at least four from different States, and one of the things that they stressed was flexibility in whatever we decide to do. Because if we didn't have the flexibility, in Florida we would only be able to spend half of the apportionment initially, based on the categories in ISTEA. So I would suggest, if nothing else, that we give the

States some flexibility, then we would be able to get those projects on the road immediately. And that is what the Governors recommended.

You may say, well, why not the authorizing committee? Well, I understand that the appropriations bill will be the only opportunity to make any input, and not that I am suggesting that you change the President's package, but in Florida when the Governor sent the package down, if we could make it better and not love it to death, we would do that, and I am hoping we can do the same thing here.

[The prepared statement of the Honorable Corrine Brown of Florida follows:]

Ap[illegible]

Statement by
Congresswoman Corrine Brown of Florida
before the
House Transportation Appropriations Subcommittee
February 23, 1993

Mr. Chairman and members of the Committee: I appreciate your giving me the opportunity to appear before you today. Let me make it perfectly clear from the outset that I support President Clinton and the economic growth and deficit reduction package he presented to the Nation last Wednesday night. The package is a courageous act of leadership and I stand behind it.

Today, however, I want to focus on the transportation infrastructure portion of the president's economic stimulus proposal. President Clinton has proposed that we spend an additional $4.16 billion by the end of this fiscal year on "ready to go" transportation infrastructure projects. Of the total new spending, $2.9 billion is to be apportioned to the states based upon the formulas established in ISTEA (the Intermodal Surface Transportation and Efficiency Act of 1991). This amounts to a full-funding of the highway side of ISTEA for FY 1993. As a member of the authorizing committee, I wholeheartedly support this effort. I am not convinced, however, that such full-funding is the best way to achieve a short-term economic stimulus or immediately create the highest number of jobs.

Like you, Mr. Chairman, I want to make sure that we maximize the job creation potential of the $4.16 billion in general and the $2.9 billion in federal-aid highway funds being apportioned to the states in particular. To do that, I would like to offer three options in order of priority.

1. We must give the states enough flexibility to spend the money apportioned to them in the stimulus package. By apportioning money under the ISTEA formulas, the 50 states will be required to commit the funds they receive to over 50 categories and subcategories. In the course of normal yearly operation, this may not be a problem, but if the goal is economic stimulation and immediate job creation, it is a major problem.

You see, states will have to commit funds to categories such as congestion mitigation or to certain areas of the state based upon percentage of population. Unfortunately, if a state does not have a "ready-to-go" project in one of those categories, it does not have the flexibility to use the money in another category on a "ready-to-go," federally eligible project. Consequently, the money will go unused until it is redistributed by the US DOT.

From a national perspective, limited flexibility is a problem because it delays the funding of projects which could immediately create jobs. From a state perspective, it is a problem, because we will be exporting jobs and funds to other states -- even though there are job creation and infrastructure investment opportunities being left behind.

In short, Mr. Chairman, regardless of the method of distribution, let's be assured that the states will have the flexibility to spend all of the money it receives on transportation infrastructure -- as long as the projects are "ready-to-go," eligible for federal funds and create jobs.

2. The second option we need to explore is the method of distribution. Mr. Chairman, on Thursday, you suggested to the American Road and Transportation Builders that the $2.9 billion available for highway funding be distributed based upon the Interstate Maintenance formula. I agree with you. The components of the formula are lanes miles per state and vehicle miles traveled and are a true gauge of a states transportation needs. Further, the I.M. program is designed to finance projects which rehabilitate, restore and resurface the Interstate System. Such projects lend themselves to quick start-up and are labor intensive.

If you choose this option, I would still urge you to consider and enhance the flexibility needs of the states.

3. Finally Mr. Chairman, I want to note that President Clinton's package includes $55 million in discretionary money. I am concerned that states like mine, and others who receive minimum allocation funds, will not be able to apply for the new discretionary dollars. As you know, language in ISTEA mandates that if a minimum allocation state receives

discretionary funds in one fiscal year, that amount will be subtracted from its minimum allocation apportionment the following fiscal year. It's like "robbing Peter to pay Paul." This provision will preempt 23 states from seeking discretionary funds this year for economic stimulation purposes because we will lose an equal amount next year. Mr. Chairman, we have problems in all 50 states and as such all 50 states should have equal access, without penalty, to funds which would benefit the people of this Nation.

Mr. Chairman, I hope that no one mistakes my testimony for a lack of support for President Clinton or a criticism of his economic-stimulus package. I have not suggested wholesale changes in the program and although I would be in favor of additional funding for transportation, I am not suggesting it. Nor am I suggesting that the money be used for anything except "ready-to-go" transportation infrastructure projects which are eligible for federal funds. I am just saying that the money being made available to the states be made available in the most equitable manner and that we allow the states flexibility in the use of those funds -- within parameters that are already defined by law.

I have probably been more long-winded than you would have liked, but I just want to make sure that the funds promised by President Clinton are used to their maximum potential. I appreciate your listening to me and giving me the opportunity to testify.

Mr. Carr. Have you contacted your Florida DOT?

Ms. Brown. Yes, sir.

Mr. Carr. And did they tell you that they will be able to obligate and let bids in 60 days with the money that Florida will get?

Ms. Brown. Yes, sir. And I have also talked to my various cities about the various other kinds of funds, and they would also in Florida be able to come up with their 20 percent. But in listening to some other States, it would be a major problem if they had to come up with that 20 percent match.

Mr. Carr. All right. Appreciate your coming by.

Mr. Wolf.

Mr. Wolf. I have no questions. Thank you for taking the time to come by. We appreciate it.

Ms. Brown. Thank you.

Mr. Carr. Thank you for being here.

Tuesday, February 23, 1993.

DEPARTMENT OF TRANSPORTATION

WITNESSES

JOSEPH DelBALZO, ACTING ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION

E. DEAN CARLSON, EXECUTIVE DIRECTOR, FEDERAL HIGHWAY ADMINISTRATION

S. MARK LINDSEY, ACTING ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION

ROBERT McMANUS, ACTING ADMINISTRATOR, FEDERAL TRANSIT ADMINISTRATION

Mr. Carr. I would like to call now all of the acting modal administrators. I think we have enough room at the table.

For the record, all of these gentlemen are friends of the Committee, having been here for many, many hearings over the years. Joseph DelBalzo, Acting Administrator of the Federal Aviation Administration; Dean Carlson, Executive Director, Federal Highway Administration; Mark Lindsey, Acting Administrator, Federal Railroad Administration; and Robert McManus, Acting Administrator of the Federal Transit Administration.

Welcome, all of you gentlemen to the Committee, and I ask that in view of the lateness of the hour, you might summarize in a word or two your prepared statement.

Mr. DelBalzo.

Mr. DelBalzo. Mr. Chairman, I did not come with a statement for the record. I would just remind you that included in the Secretary's request is $250 million for the airport grant program.

I am prepared to talk about why we believe that is the right level, and I am prepared to talk about what it is that we would do and hope to accomplish with that $250 million, and I am prepared to talk about what it is that $250 million would contribute, one, to the economy and to the airport system through the United States.

Mr. Carr. Thank you.

Mr. Carlson.

Mr. **Carlson**. The only statement that I would have is that we obviously have a rather large part of the transportation part of this program, and we would like to have as much flexibility as we can in getting it under way as quickly as we can, and we hope to have that flexibility.

Mr. **Lindsey**. Similarly, Mr. Chairman, I brought no opening statement, but I am entirely prepared to respond to any questions you may have about the package regarding Amtrak. Very pleased to do so.

Mr. **McManus**. Mr. Chairman, that was the pattern we anticipated to be here, answering questions.

Mr. **Carr**. I didn't mean to suggest you were supposed to have a statement. I am rather delighted you don't. As is our custom, to give you an opportunity if you had something, we would like to hear it, or include it in the record.

EXPEDITING PLANS, SPECIFICATIONS, AND ESTIMATES FOR PROJECTS

Mr. **Carr**. Mr. Carlson, I just have a couple of questions. You heard the Secretary's statement that you are going to do what you can to speed up the process of getting out plans, specifications, and estimates for projects (PS&E's). My knowledge also is that the department is going to be cutting about 2,900 people; I hope that no one who is getting PS&E's out in the next few months is going to be touched by that furlough plan of the department. I don't expect you to say anything other than you are going to get the job done. That is the politically correct thing to say. I would just encourage you to do that, because if in fact we end up with a use-it-or-lose-it provision, and I don't know whether we are going to end up with that kind of a provision, but if we do, that two-week timeframe will be very important.

Give us your best assessment in a range, short-term, long-term, how you are going to be able to jump-start this process.

Mr. **Carlson**. Well, we have indications from the States of projects that they have ready, and as the Secretary said, we went out and looked at them to make sure that they were, in fact, real projects that could go in a little bit more of a constricted time frame. So we are confident that there are additional jobs out there that the States have ready to go.

Unfortunately, Mr. Chairman, it is not universally all the way across all States. There are some States who essentially said they didn't have any extra jobs projects, extra projects that were ready, so that resulted in our request to do a 60-day time frame, and then the States that would not be able to use that money that quickly would be able to come back again after the reallocation and ask for it again. And that is what we are hoping to do, is to get this money out as quickly as possible.

I think that one of the reasons we want to do that is for States in the North where the construction season is quite short, if we don't get the money out right away, we won't be able to get much work done with that or much employment done with the money this year.

Mr. **Carr**. I can tell you right now that in Michigan, I would be hard-pressed to say that any of this money is going to get to work this year. It may reach some utility relocation work or something like that this fall, but——

Mr. CARLSON. I think that Michigan has several million dollars' worth of work that they say is ready and that our office has agreed is ready to go, and if we have the PS&E's ready and approved when the obligation comes, we would like to think that we would be able to get them advertised in three weeks, receive bids, go through the normal process and have some people working possibly as early as July 1.

Mr. CARR. I know what they say. I talked to the Michigan DOT yesterday and the largest single letting that the State of Michigan has ever done is around $100 million. I mean, that is their historical high. Now, given the figures that I have been seeing around here, they are going to get to put out about $150 million. That is 50 percent more than they have ever put out. They assured me that they will work day and night to make sure all of this gets done, and I hope they do.

My question is, why put that kind of pressure on it? If these are long-term capital projects that they are looking for the future and we know that we have some excess capacity out there; we don't know exactly what the dimensions of that are and whether it is a spot problem or whether it is uniform across the country, why 60 days? Why not 90 days? Why not 120 days? You are still going to get a bid let. Most contractors are going to turn that around in 30 days and get something under way.

The department has received a waiver from OMB, apparently, from the normal rules that the work had to be done before the first of the fiscal year. We know that is not going to happen. We are putting some extra money out there. Why should we crowd it like this?

Mr. CARLSON. You asked the Secretary a question on how much of a percentage of this was let by jobs and how much was long-term investment. I am not correctly quoting you, but the idea I think is there, and the question that you are asking me, I would answer by saying that certainly one of the reasons we are doing it is because we want part of this, which would normally be a long-term investment program, to be jobs related. And the quicker we can do it, the better we have a chance of getting employment resulting from it.

I would add one thing on your $150 million letting that Michigan will be required to have. In many States, the lettings that the State has are different than the lettings that the city of Detroit or some of the counties would have, so I think there might be more capacity out there to do that letting in 60 days across a State than there is just for the State highway agency. They tend to say, this is the largest letting we have ever had, but there might be a lot of other work out there that might be included.

Mr. CARR. Well, I hope so. I have my doubts, and I know I get people mad at me in Lansing when I say that I hear from road builders in Michigan that under current levels, the State Highway Department is not getting the work out. I gave those remarks publicly and some State DOT people went ballistic because I had said the politically incorrect thing. You don't talk about it publicly.

But these are road builders. These are the people who are going to be out there moving dirt and laying pavement and everything else, and they are saying in our State that the State Highway Department, under current conditions, is not getting the work out. Then you throw a big slug of money into that process, and how can that get any better?

Mr. CARLSON. We didn't get started last year until December 18 and we managed to obligate 16 some billion dollars. So I don't think we have ever let any obligation go.

I think one of your major issues is the redistribution, and that is more related to getting jobs quicker than it is to getting the major obligation of the money by the end of the fiscal year. I don't have any doubt that we can obligate all of the money by the end of the fiscal year on good projects.

EFFECT OF USE-IT-OR-LOSE-IT PROVISIONS ON TRANSIT/HIGHWAY FLEXIBILITY

Mr. CARR. One of the problems that I get complaints about from people around the country has to do with the flexibility of highways versus transit. We know that we are new to this whole thing, but some have complained, frankly, from the transit side, that highway departments always have plans ready to go. That is just part of what makes them particular.

But transit properties don't always have plans ready to go. So one of the virtues that is always sung about ISTEA is how they have local flexibility on money. How much do you think this local flexibility will mean for transit out of the highway funds?

Mr. CARLSON. Well, if you are speaking of the additional money, I think Bob may have a different answer, but I would say probably not very much because of the time frames we are looking at. Last year, we transferred about $300 million of highway money to transit.

Mr. CARR. Right. But, again, this would seem to me, and Lord knows there is no one out there who says Bob Carr is an apologist for the transit community. I am viewed in the community as being more biased toward highways. But, quite frankly, if you don't want to put that bias in there, again, why have the 60-day use-it-or-lose-it rule? If you had a 90-day, 120-day, maybe some communities out there might have an opportunity to use the flexibility inherent in the law to move some of that money toward their transit needs instead of putting it all on the highway.

Mr. CARLSON. Well, we also will have our normal redistribution which you are familiar with, which is in ISTEA. And the idea is that by having that, essentially, two redistributions of money, we will be able to make the best use of the money on the projects that the States have available.

Mr. CARR. I guess that comes to the core of a philosophical problem I have, and that is we are awarding projects on the basis of how fast they can get under way rather than what their merits are in terms of their economic impact to the community or, for that matter, the country. I think that is just the wrong incentive; and that is not what ISTEA was designed to do.

ISTEA was designed to put more deliberative planning into the process so that presumably we could get higher value economic impact. The 60-day use-it-or-lose-it rule, I think, is a serious, serious problem.

AIRPORT GRANTS

Mr. CARR. Let me ask a question about the airports. Airport operators around the country are saying that they could use about a billion dollars, and yet we only end up with $250 million. Did the FAA identify more than $250 million as a potential for stimulus?

Mr. DELBALZO. We originally identified about a billion dollars higher than the 250. Now, that billion and some odd amount down to $600 million worth of projects, one, that are eligible, fully eligible to be awarded under the grant process; two, that could, in fact, be under contract by the first of May; three, will create jobs; and four, all of the work has been done. There are no environmental problems associated with any of the projects; all of the legal work, all of the legal obstacles are behind us, and in every case there would be matching shares that would be available to, in fact, allow the contracts to be awarded by the first of May. So we are in the process now of narrowing down that list of $600 million worth of projects to the $250 million level; $250 million would put us up to the full authorized level that would require no additional legislation. So the 250 is actually the difference between what, in fact, has been appropriated and what has been authorized.

Mr. CARR. Well, that is good to point that out.

However, in the FRA account they are going over the authorized level. And, on an annual basis, ISTEA is at the authorized level, but, considering that half the year is gone, already we are going over the monthly average authorized level for ISTEA. I understand that OMB had originally said zero for airports, is that right?

Mr. DELBALZO. I don't know that.

TRANSIT PROPOSAL

Mr. CARR. I guess I don't have any further questions.

Do you have any light to shed on the transit spend-out rate?

Mr. MCMANUS. Yes, I would, Mr. Chairman. I think that the proposal for $750 million for transit is a reasonable one and that it is attainable, particularly in the way the delivery system has been structured, where $270 million of it is discretionary for bus systems.

We had at the beginning of this fiscal year $384 million in applications from the previous fiscal year that weren't funded or that weren't earmarked in fiscal year 1993. And that was the beginning total without inviting any further stimulus.

We reviewed that case load and found that about half of it had already cleared all of the statutory requirements. That—including 13(c) review—that would position them to be able to apply for and receive grants. That was the basis for the $270 million in the discretionary resource for transit, most of which will be spent for rolling stock.

The rest of the resource, the $482 million balance, was put under the formula delivery system because that was the most effective way to allocate it across the country in a way that could be used for either bus or rail facilities. The formula program, typically, in transit is used about 51 percent for bus systems and about 46 percent for rail modernization, 2 percent for planning and about 1 percent for new starts. So that is on average for the past five years.

We actually looked at the demand that could be created over and above what was already provided for in the 1993 budget authority and found that there was a substantial case load and, if the normal functioning of Section 9 were permitted to work, would distribute the money in such a way that the rail modernization demand and the bus demands could be reasonably met. They are being referred to flexibility provisions as not probably producing much for transit in this stimulus package. But within the Section 9 program and the formula programs of transit, the governor has a lot of authority to move around the transit money among Section 9, Section 18, the rural and small urban, and the Section 16 programs.

And, for that reason, we think that flexibility within the transit program itself will result in our being able to get this $482 million obligated and encumbered by the close of the fiscal year.

So we think it is a very reasonable total for transit that was scaled down substantially because of the different criteria that you mentioned just a minute ago in the review process that went on in the department. We think it is quite attainable.

LEVEL TRANSIT FUNDING TO SUPPORT BUS SYSTEMS

Mr. CARR. You also heard my testimony. It wasn't a question. For years and years we have heard from bus manufacturers that they don't want these spikes. One came through the staff from a major bus manufacturer and one came to me directly from a different bus manufacturer, that while publicly they would never go on the record as opposing any amounts of money that they could get their hands on, the fact of the matter was they were really disappointed that this was going to put another spike into their production. And without some kind of long-term commitment for a level rate of bus purchases, they thought that this was just moving jobs from one period of time to another, and not really creating new jobs.

I think that is the worry in the highway area, the worry in all of these areas, that what this is trying to do is to pull forward job creation in time without saying much about what happens to backfill when this time is over with. So I look forward to working with you and whoever heads up the agency to try to make sure that we have a level, sustainable commitment to the vendors out there who are supplying these physical assets, these capital assets to our transportation system.

Mr. MCMANUS. If I might add a word. I would resonate with what the bus manufacturers said. Actually, in the last eight years, the formula program lost about $800 million and every nickel of it came out of capital because the grantees used the apportioned resource for operating expenses first. And, having lost $800 million, the program lost the ability to maintain the support of bus systems.

And that is precisely what happened, that the purchase of rolling stock went down and the amount of money available in Section 3 wasn't adequate to compensate for that loss. So we got this tremendous run on the Section 3 bus program, the last three years, which resulted in great pressure on the Committee and ultimately, apparently, to the earmarking of the whole resource.

This restoration, I think, of the formula program gets it about halfway back to where it was eight years ago, and perhaps, with a little luck, we may see the formula program restored to the point where it could handle the normal needs of the bus systems.

Mr. CARR. I appreciate that testimony. I think, like in all these areas, we want to send to the administration a very strong signal that if this is a higher level of sustained commitment then this Committee is probably going to be very supportive. But we don't want to set oscillations into the funding stream, and, as I said to the Secretary, we are very concerned about where the revenues are coming from. We are betting that there is going to be some kind of revenue enhancer to fund the sustained stream. It is one thing to have a sustained and enhanced stream of funding for these things, but we don't know where the dollars are coming from at the present time.

The gentleman from Virginia.

WASTE, FRAUD, AND ABUSE IN DOT'S PROGRAMS

Mr. WOLF. As good career employees you have to take the position of the administration, and I respect that. Is there any concern there will be graft or corruption by accelerating these processes?

The IG testified a while back on some of the projects that were pushed out too fast. Any concern about that?

Mr. DELBALZO. The history of the airport grant program—there has never been a case or even a suspicion of fraud, abuse or waste. It is a well-managed program, a well-run program. That is an issue we are not concerned about.

Mr. CARLSON. We will be working with the state highway agencies, so I can't state it as emphatically. We have not had real problems, and the amount of money we are talking about adding here, providing it is a sustained effort, the contractors and engineering profession will gear up to take care of it, and I don't worry about that being a problem.

Mr. LINDSEY. I don't believe we will have a problem in rail either. That is pretty well worked out. They have an IG watching what they do rather closely. We watch them as well. I don't believe there will be a corruption problem there.

Mr. MCMANUS. I don't think there will be in the transit community. We have never had a history of corruption or fraud in the program in its life, and I can't imagine that we would now.

Mr. WOLF. Thank you very much for your testimony. I appreciate it very much.

Mr. CARR. Mr. DeLay.

"READY-TO-GO" PROJECTS

Mr. DELAY. Thank you, Mr. Chairman. I do appreciate your position, too, and I don't want to put you on the spot, and I don't think my questions are going to be stated in such a way that you would be put on the spot.

Mr. Carlson, I was in another committee hearing and caught you on C–SPAN talking about the fact that some States aren't ready with projects. So I wanted to reemphasize something that the Secretary said that for all this money there are projects ready to go that should be done and all the requirements have been met on all these projects. You have already stated that some States don't have projects. Are there projects in States that do have requirements yet to be met?

Mr. CARLSON. There are certainly States—the States that say that they don't have any or inadequate number for the amount of money they might receive have requirements that need to be met yet to maintain their program, yes. Some States have told me that they have just about exhausted their supply of shelf plans, and others have great numbers of projects that are available.

That is why, if we are going to be able to use this money, we need to be able to redistribute it and want to have a feature in there where the States that might not get any in the first distribution can come back and ask again.

Mr. DELAY. So they are not penalized.

Mr. CARLSON. At least not completely penalized.

Mr. DELAY. But in those States that say, yes, they have projects, have they met all requirements?

Mr. CARLSON. Yes. Our office has gone over the list of projects to the point they are satisfied that those projects are there and ready to go.

Mr. DELAY. We have found in the past, maybe not in transportation-type projects but in infrastructure-type projects, particularly water-type projects, where there is a huge amount of money available from the Federal Government, we have seen the increase in the cost of those projects as a result of chasing after that money. Is there the potential for that in this case?

Mr. CARLSON. One of the things we wanted to do to set this back a bit was to have somewhat of a balanced program which is one reason we wanted to use the ISTEA rules for the program. If we were to have the program absolutely earmarked completely for one type of work we might run into that. But with $1 billion we estimate may go into resurfacing activities, there will be some bridge work, other types of grading and drainage work, culvert manufacturers. We would like to see this spread broadly so that no one segment of the industry is given a very strong shot in the arm, and we don't think we will have a problem where more dollars will be chasing less work.

Mr. DELAY. We also find, when chasing more dollars, costs going up. We also find that States and local entities forgo spending their money because the Federal Government has moneys available. You understand what I am saying? I am sure you do.

What I am getting at is, if we replace moneys that would have been spent anyway by the States and local governments with Federal funds, I don't see a whole lot of new jobs being created because we are just sort of robbing Peter to pay Paul.

Mr. CARLSON. I agree, except that the parameters that we asked of the States for the jobs was based on the fact that they would continue their regular program and continue with money available.

Mr. DELAY. How are you going to enforce that?

Mr. CARLSON. We are going to track the money that the States say they are going to use for this additional work. If I am to say that no state would pull a project they had been thinking about for 1994 back into this category, I would be wrong. It is difficult to track. We are going to do the best we can to look at what projects they have told us and see what they come in with.

Mr. DELAY. What do you do if you find that that is the case?

Mr. CARLSON. As long as they are able to obligate all the money by the end of the fiscal year and as long as we can find the revenue in order to continue this program, I am not sure we care that much. We are trying to get work going quickly and have a sustained level that would fully fund ISTEA. I don't think it matters because they would have the work.

Our recent Condition and Performance Report indicates that we are not spending enough on capital in this country to maintain the conditions that existed in 1991 so I don't believe there is any question that there are valuable and worthy projects out there.

JOBS CREATED

Mr. DELAY. I am really interested in this jobs creation by this stimulus package and what kind of jobs they are.

You may have heard me talk to the Secretary about Davis-Bacon in that the entry level, the people that are coming into construction-type jobs, are, frankly, in my opinion—and I think studies show—are excluded because they cannot command the higher salaries that are mandated by Davis-Bacon-type rules. And it is unfortunate because those are the people that need the jobs, the low-income people, the poorest of the poor, minorities and so forth.

I think you can answer it better, Mr. Carlson, than any of the other three—in just describing what we are talking about here.

In some cases we have found, at least in my other Subcommittee, we have found that some of these jobs can be handled by companies stretching the number of hours that their people work. For instance, you can go to time and a half and accomplish a lot of this work with the same number of workers but pay them time and a half. In some cases, the money is so lucrative and so nice to have that you can even push them into double time.

So you are not creating new jobs, you are just putting more money into the workers' pockets that are still there, which is nice for those that have the jobs, but that is not the reason for having this stimulus package.

Mr. CARLSON. The type of workers—we have gotten more technical in the highway field. But there are laborer-type jobs that are entry-type jobs, people that rake asphalt, do asphalt clean-up work, people that work in quarries—don't all have to be the guy that sets off the dynamite charge or runs the loader. So there is that kind of work.

Your other question is more difficult. With the ramp up we had with ISTEA last year, I thought there would be more contractors saying they had started to expand. The word we get is that so much of the other part of the economy, because of the recession, is down, that ours is the only game in town, and they have not staffed up to do a large amount of other work.

I hope there would be, at the worst, a mix of contractors that would be the expanding the hours of their existing staff but that we would get more jobs out of this in a rather quick fashion. If we give this a push with the 60-day redistribution it will be incumbent on them to get out and get to work, with the continuation I think we will get additional interest on the part of the contractors, and they will put more people to work.

We are going by the historical trends on amount of jobs created by so many Federal dollars of Federal aid highway program. We will be trying to get data on information out of this particular thing after it passes.

Mr. DeLay. I forget how much we are putting into FTA. We are putting $4.15 billion into highways?

Mr. Carlson. $2.97 billion into highways——

Mr. McManus. $750 million.

Mr. DeLay. It has already been stated that even the whole package is such a blip on a $6 trillion economy. It seems to me even $750 million is not enough work to make people expand.

Mr. McManus. Well, most of it will be used for rolling stock, it appears in the submissions that we have seen, and that can happen quite fast.

Mr. DeLay. But even at that the Chairman was talking about rolling stock. They don't want to expand. They want to level that off so they don't have a spike. So there is no new jobs there either.

Mr. McManus. Our hope is that this will call attention to the formula program of the FTA which has been neglected in the past several years.

Mr. DeLay. I got to tell you—and it is no criticism of you four because you carry out what they tell you to carry out—but the biggest word in these hearings is if, if that happened, if we get spending cuts, if we get tax increases, if we get this, if we get that, everything is going to be hunky-dory. That is—a lot of it is to start a deficit spending program. I am concerned about it, and I hope in the hearings tomorrow we will be able to revisit this issue.

Thank you very much, Mr. Chairman.

CRITERIA FOR DISCRETIONARY BUS FUNDING

Mr. Carr. The gentleman from Pennsylvania.

Mr. Foglietta. Thank you, Mr. Chairman. Mr. McManus, my primary area of interest is the issue of mass transportation. As the newest member of this Subcommittee, I am looking forward to working with you and your colleagues at FTA.

In the President's proposal, funding for Section 3 bus capital will be made at the discretion of the FTA. I am sure that there are more bus projects out there that are ready to go than the $270 million will fund. Can you tell me what criteria will be used to determine which projects will receive funding from the supplemental?

Mr. McManus. For the bus category?

Mr. Foglietta. Yes. $270 million.

Mr. McManus. The part that is discretionary, well, the primary criterion is going to be readiness to proceed, to be able to get projects committed and encumbered. That means contracts let for the projects. We anticipate that the priority should go to replacement of rolling stock in the bus category and to maintenance facilities. And other things being equal, we would give attention to geographic spread of the resource and also to equity with respect to the size of communities that would share the resource so that it wouldn't all go to large places, but would get spread around.

There are a lot of small communities that have—I mentioned earlier that haven't had any resource, any capital resource from the formula program which they normally use for bus purchases and we would watch out for that in the allocation of this discretionary resource.

Mr. FOGLIETTA. The more people that would benefit from this type of bus replacement or inventory replacement, would that affect it, the population of the area?

Mr. MCMANUS. Well, other things being equal. The primary criterion is going to be the ability to proceed. But the case load we have seen is pretty well spread, as it turns out, among large and small places.

CRITERIA FOR AIRPORT GRANTS

Mr. FOGLIETTA. Thank you.

Mr. DelBalzo, I am looking forward to working with you as the deputy administrator; is that correct?

Mr. DELBALZO. Acting administrator.

Mr. FOGLIETTA. Philadelphia International Airport is in my district, and I am sure that we will work closely on many projects. President Clinton's proposal would increase funding for the airport improvement program by $250 million. This is good news for the Philadelphia International Airport and for the Northeast Philadelphia Airport because we have identified several important projects which are ready to go totaling $30 million and meaning some 1500 jobs.

Can you tell me if the additional funding for the AIP program will be kept in a separate discretionary account, thus allowing for a larger pot of money or will the funds be subject to the AIP program's various set-asides for reliever airport programs, noise programs, et cetera, the way discretionary funding is normally treated?

Mr. DELBALZO. Our proposal is that the $250 million would be apportioned totally discretionary without the restrictions attached to the current grant program, the current grant legislation.

Mr. FOGLIETTA. The same question I asked earlier, that is that I am sure that there are more than $250 million worth of projects ready to go. How will decisions be made to determine which ones will be funded?

Mr. DELBALZO. We tried to match a maximum number of near-term jobs correlated to long-term jobs that the project can create, trying to achieve also a regional balance taking into account airport needs through the United States and focusing on those projects that one can be under contract by 1 May, and that would create the maximum number of jobs.

So when we look at the kind of projects we would be focusing on, number one, we would be focusing on new runways, runway extensions, taxiways, aprons, runway overlays, and runway reconstruction. Those are the kind of projects that would create the maximum number of jobs in the shortest possible time.

Mr. FOGLIETTA. I thank you, sir.

Mr. CARR. Thank you gentlemen. We appreciate your being here to testify. Thank you very much.

TUESDAY, FEBRUARY 23, 1993.

AMERICAN PUBLIC TRANSIT ASSOCIATION

WITNESSES

LOUIS J. GAMBACCINI, CHAIRMAN, BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, CHIEF OPERATIONS, OFFICE/GENERAL MANAGER, SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY

JACK GILSTRAP, EXECUTIVE VICE PRESIDENT

BOB BATCHELDER, GENERAL COUNSEL AND DEPUTY EXECUTIVE VICE PRESIDENT FOR GOVERNMENT AFFAIRS

Mr. CARR. Our final witness today is Lou Gambaccini. Perhaps my colleague from Philadelphia would like to say a word or two by way of introducing Mr. Gambaccini.

Mr. FOGLIETTA. Good afternoon, Mr. Gambaccini. Would you have your colleagues identify themselves?

Mr. GAMBACCINI. I appear here as chairman of the American Public Transit Association and I have with me the Executive Vice President, Jack Gilstrap; and General Counsel and Deputy Executive Vice President for Government Affairs, Bob Batchelder.

Mr. FOGLIETTA. It is great to see you here today. We have worked together closely for a long time. He does a great job running SEPTA in Philadelphia. That system is a vital asset to the region. As you said in your opening statement, and as I said to the Secretary, I am concerned that the proposed package neglects the rail modernization program.

You can attest to the desperate infrastructure needs of older systems like Philadelphia. Mr. Gambaccini, I have been impressed with your accomplishments in undertaking large-scale rehabilitation projects like Rail Works with the limited resources that you have been provided. Moreover, your modernization efforts have brought a double benefit. Not only have you made critical improvements in the transit system, you have brought jobs and opportunities to some of Philadelphia's most disadvantaged communities.

In your discussion, I would like to ask if you could tell the Subcommittee about your successful community outreach and the impact your projects have had on employment and economic development in the Philadelphia area.

Mr. CARR. Welcome to the Committee, Mr. Gambaccini, and your colleagues. We appreciate your being here today and having the patience to wait through a long afternoon.

Your statement in full will be made part of the record without objection. I would like to ask you to summarize the high points you wish to make and then we will go right to questions and see if we can conclude.

Mr. GAMBACCINI. Thank you very much, Mr. Chairman. I am cognizant of the passing time. Indeed, I think Congressman Foglietta must have been reading my mind because, as I sat here for that long a period, I was somewhat disturbed by the terms of the debate and I would like to summarize my statement in three sentences.

The statement speaks for itself. It is a survey of projects among the 98 or so transit systems in the country that have responded to the question about what could be done in the way of job stimulus in contract awards.

Needless to say, we support the President's stimulus package. $750 million is a good step in the right direction. It is half the distance to the authorized amount. However, even at full authorization, we will in fact be considerably behind, adjusted for inflation, considerably behind the level of funding that we had 10 or 12 years ago.

We have been on the losing end of a shrinking pot of funds. All of the modes have been hurt. We have been hurt the most. Some have gone up and been more favored than we. We know that we can obligate the funds in this proposed stimulus package.

I appreciate Congressman Foglietta, and if I may, the statement is a statement on behalf of the American Public Transit Association. I would like to proceed to say a few words about the case example of SEPTA and particularly along the lines Congressman Foglietta has been so eloquent in outlining.

Back to the terms of the debate. The preoccupation with deficit for a general manager who has been in this business for over 30 years is extremely frustrating. Deficit connotes pay-as-you-go funding across the board. We are talking about capital assets that are here for generations to come. In an analog, it would be tantamount to a homeowner, for example, trying to buy a home not with a mortgage, but out of current income.

Reinvesting in the capital plant is reinvestment. It is not comparable to the consumption driven by the operating budgets that has driven up the overall debt from $1 to $4 trillion. We believe that investment is justified even at the cost of a deficit and wholly apart from the question of stimulus because it is so vital to the future of this country.

Many of our older cities are totally dependent on public transportation. In the case of Philadelphia, an outside study financed by UMTA a couple of years ago led by the corporate community including the President of the Federal Reserve Bank, concluded that there would be a $9 return for each dollar invested in the physical assets of SEPTA.

I can't underscore enough my view that after several decades of squeezing out investment in critical assets, the physical assets of transportation, that we must come to grips with the problem and must see it in the perspective of investment and not current expenses out of current income. Your emphasis, Mr. Chairman, on whether or not there would be sufficient stimulus, prompts me to say this; that in my view, if there were no stimulus at all, there is an overwhelming case for this level of investment and many more times that level of investment.

I won't go through the litany of explanations but, for example, air pollution strategy, congestion on highway relief, quality of life in cities. I submit that some of the extreme frustration in urban areas—I submit a case in point is L.A.—is the sense of isolation and restriction of the poor and minority sector in cities.

We did an analysis of transit fares and find that, compared to 40 years ago, transit fares adjusted for inflation is up 65 percent in Philadelphia. The cost of gasoline is down a dollar less than it was ten years ago adjusted for inflation. It is at the lowest point in the history of the automobile. The volume of available service in transit is far less at much higher prices and with great dependency on the automobile deprived, that is the transit dependent.

Congressman Foglietta mentioned Rail Works. I would like to take the Committee up to visit Rail Works, have you see on the grounds the physical improvements made last summer. We closed down six rail lines for six months as we expedited round the clock, work seven days a week, 24 hours a day. We contracted the best contractors in the region because there was so little work. They put their best people on it because they had no other jobs.

The project will come in probably close to $100 million less than estimated because the bids are coming in at 30 to 40 percent lower than estimate.

The Congressman mentioned our community activity. We put a lot of time and effort into trying to ease the problems of the community. These rail lines serve suburban, mostly affluent riders. The work is all done in the poorest area of Philadelphia so all the noise and dust and grief of the construction would fall to local interests. We set up three local information centers, we have a hot line telephone, we have set up a number of school programs to deal with school safety, avoidance of construction sites. We set a goal for jobs overall for minorities. The Federal Government for us set a goal of 17 percent. We took it higher and said 25 to 30 percent. We achieved 33 percent.

We separately set a goal of 10 percent of the jobs to go to the affected communities. We delivered 17 percent of all jobs created by that work for the immediate community. We have had great relationships with the local community and their understanding of while we had to do this kind of disruptive work that we cared and we tried to tailor much of the work to their benefit.

One of the coincidental results of this project was to divert rail commuters to the subway line. Now you had more affluent commuters used to long-distance rail commuting mixing with subway riders. We were concerned about some of the potential for incidents and the like. It has gone splendidly. If ever there was an example of bonding of a sense of community, of producing jobs and reinvesting in our assets and doing it at a lower cost, this is a classic model.

I won't go through the details of yet another project but the two top priorities in our system are replacement of 25 bridges and replacement of several miles of commuter rail on one hand and the reconstruction of five miles of elevated track on the rapid transit line. It is our busiest line in the system. If this line were separately compared with all other systems in the country, it would be the eighth largest in point of travel handled. The project began several years ago estimated to take six years and $400 million.

After we finished the first complete section, it was clear that with shrinking funding at Federal, State and local levels that we would have to draw out the program from six years to 21 years, at an increase in cost from $400 million to $900 million. It would also entail going back repeatedly.

Where the original project concept was take 1,000 feet at a time and do the entire job, we had to put in an under structure for the entire length to keep the structure from collapsing. Now we do stations, then go back and do tracks. We do this in a series of moves that keeps the community in turmoil for 21 years and our riders in risk of interrupted service nights and weekends.

I submit to you that these are living case examples that more than justify the immediate commitment of a $750 million stimulus. I keep thinking in my 40 years in public service about what is the base of reference. $750 million, if I remember correctly, is plus or minus the price of one B-1 bomber. We are talking about investment across the Nation that would produce jobs and economic stimulus in addition to the other benefits that I have outlined.

If I have passion on the subject, it is because of the frustration I have experienced over the last decade or two.

[CLERK'S NOTE.—Additional material was received from the American Public Transit Association and is retained in the Subcommittee's files.]

[The prepared statement of Mr. Gambaccini follows:]

TESTIMONY OF THE
AMERICAN PUBLIC TRANSIT ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND RELATED AGENCIES
OF THE
HOUSE COMMITTEE ON APPROPRIATIONS

February 23, 1993

PRESENTED BY

Louis J. Gambaccini
Chairman, APTA Board of Directors Executive Committee
Chief Operations Officer/General Manager
Southeastern Pennsylvania Transportation Authority (SEPTA)
Philadelphia, Pennsylvania

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American Public Transit Association
1201 New York Avenue, N. W.
Washington, DC 20005
(202) 898-4000

APTA represents over 1000 members, including all major commuter rail operations, motor bus and rapid transit systems, and organizations responsible for planning, designing, constructing, financing and operating transit systems. APTA members include business organizations which supply products and services to the transit industry, academic institutions, and public interest groups.

Introduction

Mr. Chairman and Subcommittee Members, thank you for giving the American Public Transit Association this chance to testify in support of President Clinton's Fiscal Year 1993 supplemental economic stimulus program. We support the President's plan, we are ready to do our part to revitalize the economy, and we welcome this program as an excellent first step toward full funding of a federal transit program that helps grow the economy, improve productivity, and contribute to progress in clean air, energy conservation, congestion relief, and other urgent goals.

We wholeheartedly endorse the President's call for $752 million in additional FY 1993 capital funding for the Federal Transit Administration (FTA). This includes $482 million for distribution to states and metropolitan areas through the Section 9, 18, and 16 formula programs, and a $270 million increase in the Section 3 Bus Discretionary program.

This is a very positive step toward full funding of the federal transit program authorized by the Intermodal Surface Transportation Efficiency Act (ISTEA). The approved FY 1993 ISTEA funding of $3.6 billion was far short of the $5.2 billion authorized, but the $752 million supplemental goes far toward bridging the gap. APTA believes that transit funding should, at a minimum, be set at ISTEA levels in FY 1994, and we look forward to working with the Administration and Congress to reach that goal.

The transit industry recognizes that the purpose of these funding increases is to stimulate the economy by moving forward with projects that will quickly create jobs. In fact, both the $482 million formula program increase and the $270 million bus capital increase are ideally suited to fulfill this objective of the President's economic stimulus program. We will now provide more detailed information on our capacity to create jobs and provide a quick boost to the economy. We can also play a critical role in providing people with transportation to and from new job opportunities.

Formula Program Increases

The $482 million formula funding increase is especially welcome because it addresses the fact that formula assistance was cut this year by $280 million below the previous year's level. The Section 9 Urban Formula Program will receive $438.5 million in additional funds, the Section 18 Non-Urban Formula Program will receive $26.4 million, and the Section 16 Elderly/Handicapped Formula Program will receive $17.4 million. These increases not only restore these programs to their FY 1992 funding levels but bring them closer to the FY 1993 authorized level.

The formula program increases will reach all parts of the country where they can be spent on ready-to-go projects. Can the transit industry put these funds to good use? The answer is a resounding yes. A partial survey of APTA members has identified 649 ready-to-go projects from 98 transit agencies in 31 states, the District of Columbia, and Puerto Rico with a federal funding component of $5.19 billion. These projects would support 310,000 jobs. We are continuing to compile additional information on ready-to-go projects from transit agencies across the nation. A copy of the latest available list of these projects is included with this testimony.

In addition to bus purchases, which will be discussed in greater detail below, projects range from creation of new park-and-ride lots and high-occupancy vehicle lanes to the upgrading of communications equipment and computer systems to the addition of facilities needed to comply with federal accessibility, clean air, and energy conservation mandates. These projects can all be quickly started, they will create thousands of jobs, and they are all essential to address unmet needs and improve the efficiency of the nation's transit systems.

It is important to note that in today's market we in transit can obtain greater value for less money than we could have in the recent past, or probably will be able to in the future.

We view this proposal as a major statement by President Clinton about his intention to rebuild the nation's cities and considerably enhance the quality of life for inner city poor and other transit dependent individuals. This investment in transit's capital assets will help to serve tens of millions of people today, tomorrow, and for generations to come.

Bus Capital Increases

The $270 million increase in bus capital funding is ideally suited to put people back to work, quickly, in a critical segment of the domestic motor vehicle industry. The U.S. bus manufacturing industry and its suppliers have factories in many communities around the country. The industry is now operating at 75 percent below capacity so it is in a very strong position to speed up production in short order. With these funds, we can replace obsolete buses and speed up compliance with Americans with Disabilities Act (ADA) and Clean Air Act requirements for clean-operating buses that are accessible to people with disabilities.

Calendar Year 1992 is the third consecutive year of unprecedented, severely depressed demand for new standard size transit buses. The 1980-89 average annual volume was 3,252 units, while the 1990-92 average annual volume was less than half that amount, at 1,560 units. The bus manufacturing industry's capacity is 6,240 units per year, so the 1990-92 capacity utilization is only 25 percent.

This situation, clearly, is tailor-made for an immediate stimulus. There is more than enough idle capacity to put additional funds directly into production. In the longer run, the health of this U.S. industry will depend on continued commitments for increased investments.

If the ability to supply additional buses is there, then so is the demand for new buses. The transit industry, nationwide, operates some 55,000 standard size buses. An estimated 12,000, 22 percent of the total, exceed the 12-year age at which the FTA recommends replacement. Some 40 percent of small buses and vans in use exceed age for recommended replacement.

In the partial survey of transit systems mentioned above, bus and van needs account for $833 million worth of orders with the potential to create 35,640 jobs in FY 1993. These would be full-time jobs in the private sector and not the result of short-term make-work programs. In other words, transit systems are ready to place bus orders with U.S. manufacturing firms worth more than three times the dollar value of the proposed bus capital funding increase.

A comprehensive survey of transit systems identified a capital funding requirement of $12 billion for 49,610 new buses and 9,130 new vans over the six-year period from 1992 through 1997. Another $3.5 billion is required for rehabilitation to extend the useful lives of 18,570 buses and 11,360 rail cars.

This expanded bus procurement will have other benefits. New buses must be accessible to people with disabilities as required by the Americans with Disabilities Act, and in many cases they will replace older ones that are not lift-equipped. So any acceleration of bus purchases will speed up the process of complying with the ADA.

New transit buses can help reduce energy use and air pollution -- a full bus is six times more energy efficient than a single occupant automobile, and transit buses are responsible for just 0.3 percent of transportation energy consumption compared to 72.1 percent for automobiles and trucks. Nonetheless, the $270 million supplemental investment program will hasten the replacement of older buses, which are the least fuel efficient, least reliable, and most expensive to maintain.

Like the $482 million increase in formula capital funds, the $270 million increase in bus discretionary funds is an ideal means of priming the economy.

Meeting New Responsibilities

On February 17, President Clinton outlined a bold new direction for our nation. The transit industry is eager to do its part in achieving the goals outlined by the President.

He proposes to raise our standard of living by shifting our priorities from spending to investment in people, infrastructure, and research -- and we agree. Investments in transit are vital to create an efficient transportation system that fosters prosperity instead of restraining it.

He calls for meaningful opportunities for all Americans who work hard and play by the rules -- and we agree. Every $100 million invested in transit creates 5,800 jobs. This investment will have direct benefits for local economies. In a recent study of regional transit investment the Urban Institute and Cambridge Systematics, Inc., concluded that in "terms of total economic impact, the return to the region and the State would be over 9 dollars for every dollar spent."

He seeks to foster a spirit of responsibility and community service -- and we agree. Transit is a critical factor in protecting the quality of life in our communities, by enhancing mobility and providing an alternative to increasing pollution and congestion.

He proposes a partnership for growth between business and governmental institutions that work -- and we agree. The U.S. transit industry is a model partnership of public agencies and private businesses.

He asks that we recognize the environment's importance to the quality of our life -- and we agree. Increased transit ridership is essential to meet our clean air and other environmental objectives.

During the 1980s, federal transit funding declined 53 percent in real terms. That trend has been reversed because Congress and the Executive Branch recognize that transit provides indispensable services to the people who live in our cities, suburbs, and rural areas.

In every respect, the transit industry can help achieve the goals embodied in President Clinton's new direction for America. We will create jobs, improve productivity, and expand the transportation options for millions of Americans. Indeed, we are part of the solution to virtually every problem cited by the President on February 17.

At the same time, our industry recognizes that we have a responsibility to fulfill. In the short term, we must act to stimulate the economy. Transit industry representatives have already met with Federal Transit Administration officials to make sure that the supplemental funds will be spent in ways that accomplish the stimulus package's objectives.

The nation's transit systems have already set in motion the process for obligating these funds. Every transit system in the country has been advised to send grant applications to the FTA immediately, even before this legislation is enacted. Let there be no doubt that we will put our full energies into these efforts, because we fully understand how important it is to put the economy on the path to a recovery that puts people back to work.

Long-Term Transit Investment

Then, even as we strive to meet this short-term responsibility, we want to work with Congress and the Administration for full funding of the ISTEA transit program in Fiscal Year 1994. That is the critical next step in implementing a program of nationwide transit investments that will sustain prosperity, enhance mobility, improve productivity, and meet the clean air, energy conservation, and other goals that we all support.

ISTEA created a carefully balanced program designed to meet the transit needs of urban, suburban, and rural areas in every region of the country. Full funding of each individual program at its authorized level is essential if the transit industry is to plan effectively for the next century.

I must note that even at the levels authorized in the ISTEA, transit funding is still well below 1981 appropriations levels in real terms. We recognize the pressure to reduce the deficit, but we also believe that we must make the investments required to meet transportation needs of the twenty-first century.

We support the President's proposal to extend the current 2.5 cents per gallon gasoline excise tax that is scheduled to expire in 1995, and we strongly believe that this gasoline tax should be dedicated to transit and surface transportation needs. Because the federal gasoline tax has succeeded nobly in providing funds for the nation's infrastructure, we believe that all additional federal taxes on gasoline should be devoted to the trust funds that meet the ongoing demand for these investments. There needs to be a reliable, predictable source of funding for the nation's transportation programs and we need to ensure the solvency of these trust funds that support transit and other surface transportation programs.

In the President's summary of his economic stimulus program, he refers to "The Perils of Inaction." While he states that a failure to control the deficit will result in an inability to increase productivity, we in the transit industry subscribe to a similar belief that a failure to invest in the transit infrastructure will inhibit productivity. We will continue to work with the Congress and the Administration to this end.

Mr. Chairman and Subcommittee members, the transit industry appreciates this chance to make the case for its contribution to President Clinton's new direction for our country. Give us the chance to help, and we will succeed.

SUSTAINED FUNDING TO MEET NEEDS

Mr. CARR. We appreciate your frustration and your being here. No one on this Committee will dispute the need. Our frustration is that we get a lot of that kind of testimony. The real frustration is that we operate within limits not of our own making. A lot of the testimony on need really ought to be in front of the Ways and Means Committee, before those people who have the ability to raise the revenue to fulfill the need.

All we are trying to do is manage the cash flow of the transportation accounts across the modes in a fair and an equitable way that sustains whatever level it is. No doubt whatever level we give you, there is a need that is greater. We are trying to manage the cash flow so that you don't get spikes, so that you don't get oscillations, so that no matter how inadequate it might seem it at least is dependable, so that hopefully you can plan and you can make prudent economies. I think you have done that.

The frustration you have is the need. The frustration we have is we keep hearing about the need but no one gives us an allocation or a revenue stream that enables us to appropriate more than we are doing. You are going to be back sometime, aren't you? I am going to defer my questions on SEPTA and ask the gentleman from Virginia if he has some questions. The gentleman from Virginia.

Mr. WOLF. Thank you for your testimony. I was born and raised in Philadelphia, used to take the 36 to work every day and most of my family still lives there. How many days has your system been down based on strikes in the last 10 years?

Mr. GAMBACCINI. In the last 10 years, the reason I am searching is we had a 100-day strike when we took over Conrail. That was 1983. So I am not sure whether that falls within the window of the takeover or not. Other than that, I think there was a strike six or seven years ago for a few days' duration but that is about it.

Mr. WOLF. What are your wage rates?

Mr. GAMBACCINI. We are the fourth largest transit system in the country and I think 16th or 17th in rank order——

Mr. WOLF. What does a bus driver make?

Mr. GAMBACCINI. $15, on the order of $30,000 a year base.

Mr. WOLF. Thank you.

Mr. CARR. The gentleman from Texas.

Mr. DELAY. I concur with the Chairman's statement. Sometimes we disagree on what the needs are, because sometimes the benefits of the needs don't match with what actually happens. I don't remember, what is SEPTA's ridership now? Has it increased or decreased?

Mr. GAMBACCINI. It has been decreasing. We are afflicted with some of the worst conditions of poverty in the country. We have very high unemployment. I think we are second in the country in proportion of people without an automobile dependent on transit, yet it is an economically depressed city and region now, and that has caused a downturn of ridership in the district.

Mr. DELAY. I don't mean this statement to apply to SEPTA. I will make this statement apply to Houston. In your metaphor about the homeowner buying a house, it is not much different. I changed that a little bit in when you spend monies for capital that people don't use, it is like a homeowner buying the house and not using it and investing in building that house and then not moving into it.

So even though everybody says we have needs and we can list, have a list, here is one with all the lists of the needs across the country for each State, that doesn't necessarily mean that when you put capital on the ground whether for highways or transit or other things, that they are the type of infrastructure that support an economy. That is what we have to also worry about when looking at these kinds of expenditures.

Mr. GAMBACCINI. I think both that comment and the Chairman's earlier several comments really goes to the question of whether or not earmarks and equity in the program are what they should be. We have gotten to this point over the course of 25 years. I have disagreed with many of the changes. It went in a needs-based program, rail mode was dominant to redistributing a shrinking pot of money and almost making it an entitlement program for 50 States for a variety of different purposes.

I am concerned that we are where we are at after 25 years of a politicized process to distribute a limited sum of money more and more broadly. I would submit that that is something that I don't think you can change overnight. It is a highly volatile political matter that needs to be addressed on the basis of the structural nature of this particular grant program which is different from a lot of other grant programs that are much more tailored to deliver money where the bona fide need is.

I am not here to justify every project that comes down the pike. The Chairman and I discussed projects some months ago that never should have happened, but they were political decisions, not transportation-driven situations. The pressure of a stimulus, the pressure of the kinds of things that I described in Philadelphia suggest that these things should be permitted to continue as you deliberate on any changes to the structure down the line.

Mr. DELAY. Well said.

Mr. CARR. This Committee hopes to do a much better job in making sure that at least the economy sits at the table as well as the politics. We are all committed to that. The gentleman from Philadelphia.

Mr. FOGLIETTA. Thank you for being here.

CLOSING REMARKS

Mr. CARR. Thank you. I look forward to seeing you again probably in another 35 or 40 days and then I will ask my SEPTA questions. With that, I would like to announce that this hearing is about to close. As I said earlier, pursuant to Rule XI, Clause 2 of the Rules of the House and Section 5 (d)(1) of the Rules of the Committee on Appropriations, the Minority has exercised its option to hold yet another day of hearings and they will present a list of witnesses to appear.

I am able to announce that the Minority asked that Secretary Peña be here at 9 o'clock in the morning, and he has agreed to appear. So the Secretary will be back at 9 o'clock and—correction—he may appear, but we will encourage him to appear.

With that, this meeting of the Subcommittee on Transportation Appropriations is concluded and we are adjourned.

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF TRANSPORTATION

WITNESSES

HON. FEDERICO F. PEÑA, SECRETARY, DEPARTMENT OF TRANSPORTATION

KATHERINE E. COLLINS, ACTING ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS

CHAIRMAN'S OPENING REMARKS

Mr. CARR. We will call this meeting of the Transportation Subcommittee to order and indicate that this particular hearing was called at the request of the Minority. I would just note that the Minority, late yesterday, requested that Secretary Peña reappear today, and notwithstanding the fact that he probably has as busy, if not busier, schedule than most of us, he graciously consented to do so and is with us today.

Mr. Secretary, thank you for your cooperative spirit in accommodating the request for an unscheduled hearing.

Mr. Durbin, do you have any opening remarks.

Mr. DURBIN. No, I would like to wait until after the Minority is done. Thank you.

Mr. CARR. Also, I would like to notify the Committee or ask if there is objection to the department recording today's hearing?

Normally, we like to keep the record of the hearing with the Committee and we don't normally allow a recording, but a request has been made to——

Secretary PEÑA. Unbeknownst to the secretary, the department has made a request for the recording.

Mr. CARR. The department has and it is duly noted, and unless there is objection, we will consent to the department only recording the proceedings today.

Mr. Wolf, do you have an opening remark?

Mr. WOLF. No, I have no opening remark.

Mr. CARR. Mr. DeLay, do you have an opening remark?

Mr. DELAY. No.

Mr. CARR. Okay. With that, Mr. Durbin, do you have any questions?

Mr. DURBIN. I will wait until after the Minority has asked.

Mr. CARR. Okay. Mr. Wolf is recognized.

PROVIDING JOBS FOR THE UNEMPLOYED

Mr. WOLF. I thank you, Mr. Chairman, and Mr. Secretary, thank you for coming back today and I know how busy your schedule is and I do appreciate it.

I have an amendment that I was thinking of offering and I just wanted to know if you could give me your comments as to whether this would be appropriate or you would support it. In the bill, we would put a proviso that would say: Provided that all jobs generated by this funding be given only to those Americans who are currently unemployed due to the economic downturn.

Secretary PEÑA. Congressman, I understand your intent of the amendment. Let me try to address some very real practical problems with that requirement.

For construction projects that are ongoing today, particularly in the area of transportation, the stimulus package, if it is passed, will allow some of these projects to add on new work crews or to extend the hours for a project; for example, 22-hour shifts a day instead of just an 8-hour, 10-hour shift. You may or may not have the impact of, in certain construction projects, providing opportunities for people who are currently unemployed. And so it depends project-by-project.

In some areas of the stimulus proposal, for example, the summer job program, Head Start, et cetera, clearly, those are targeted to people who are currently unemployed. So I think it depends on each project.

Mr. WOLF. Would it make sense then to put a percentage in the amendment? Obviously, it would be difficult to stipulate that of the 100 percent, "stimulus" jobs go to displaced workers, but what about 50 percent?

Secretary PEÑA. Congressman, I would be guessing. I would not have any reservation about a statement that says something like, that the Administration or the department is encouraged to work with the States and the localities in making efforts to look for people who are unemployed. I think something like that, in that spirit.

Otherwise, you may have some very real practical problems with some of these construction projects in terms of generating the efficiencies with new work shifts and accelerating the construction of certain projects. That is the only caveat I would give you.

Mr. WOLF. I don't think I am going to support the package, but not on a partisan basis. I tend to think that the Congress can probably do the Clinton administration a favor by rejecting the package.

Last night, I was looking at *Newsweek* and I saw this Dear Colleague letter that was sent out with regard to Mr. Samuelson. I don't know if you read it or not, but he said a bit more highway spending simply won't produce productivity, and then he goes on to talk about the stimulus package.

So if something is going to pass, and my sense is that it is, I think it should go to the people who need it.

The second thing is what percentage of the jobs would go to blue collar versus white collar? Because this recession has been a little bit different than other recessions, in that a lot of white collar people have also lost jobs. Has there been any thought given to how it would be directed and has anyone looked to see what percentage would go to white and blue collar workers?

Secretary PEÑA. Congressman, it varies. Obviously, the investment tax side of the stimulus package goes to the corporate side. Take a company like Boeing. If Boeing is able to take advantage, and I believe it can, of the investment tax side of the economic program, I would expect that there would be help both in the white collar and in the blue collar area. Although I must say the average wages for Boeing are twice that of the typical manufacturing job in America; $45,000 a year as opposed to high $20s, low $30s.

On the construction expenditure side, let us take the Federal highway piece of the stimulus package. Those funds would support what I would consider to be blue collar working jobs primarily, although I would assume there would be some minor white collar additions. It depends on the particular area in terms of the industry and on whether you are looking at the tax incentives that are also part of the total economic program and how those tax incentives are used.

Mr. Wolf. Have they broken it out?

Secretary Peña. I don't have that with me this morning, Congressman.

Mr. Wolf. Could you supply it for the record or to my office? And I am sure a lot of yours would probably be blue collar.

Secretary Peña. I think primarily.

Mr. Wolf. If you could give us a break out of how much would go to white collar and how much to blue collar, because this recession has been different.

[The information follows:]

The types of jobs created will be varied, blue collar, white-collar, engineers, pavement resurfacers and safety inspectors. America's transportation industry is diverse and the people that this stimulus package will be a wide range. The transportation piece of the stimulus package is not targeted to a particular group.

DEFINING "EMERGENCY"

Mr. Wolf. There is an article, too, in this week's *CQ* that talks about the difference with regard to this recession versus others. How do you define an emergency with regard to this?

Secretary Peña. I would say an emergency is an unexpected crisis. If you were to ask for a straightforward definition of an emergency, without getting a dictionary, that is the layperson's view of an emergency.

Under the stimulus package, the notion is that this economy has not seen the recovery that is normally expected. This is something that was unforeseen.

I believe statements made by the past Administration last year indicated that this recovery would be very different; that we would see the kind of jobs created that are normally created in a recovery. We know that there are at least three million people who are not employed today. There are several million who are not being added to the employment list. So in that sense, something unexpected has occurred. This was not predicted; we all assumed something else would occur; and therefore there is an emergency.

Mr. Wolf. But it has been going on for the last year and a half, and the unemployment figures have been dropping. And, as Mr. Regula commented I think last week, it was 19,000 lower.

I just wonder if the Administration has considered this. The stimulus impact will be so minor that it really probably won't help.

And I wonder if your package wouldn't be more credible if you really didn't have that? Since this situation has existed for quite some time, I am not so sure that we have an emergency.

Let me ask you one other question and then I will turn it over to Mr. DeLay. I have a series of questions, too, that I will submit for the record and I don't want to keep you here all day. If you could have your staff get back to us with answers.

JOBS CREATED FOR THE UNEMPLOYED

Let me say that historic evidence suggests that jobs created by anti-recessionary job programs have not gone to the unemployed. For example, the GAO found that of the jobs created by the 1983 Emergency Jobs Act, not more than 35 percent of the people employed by programs in the act were previously employed. Other studies suggest that the number can be as low as 11 percent. And the question is, are the jobs targeted to the unemployed?

I would like to offer an amendment to this bill, again, not in a destructive way, because as I told you, I don't really think I am going to be supporting the bill, but if the bill passes, and you do have the votes, to make sure that the jobs go to the unemployed and not to, as Mr. DeLay was talking about yesterday, contractors and some companies to use for overtime.

So I will offer that, and maybe you can have your staff talk to me and see if there is something we could offer that you would feel comfortable with but would still set a percentage.

I would pass, Mr. Chairman.

Secretary PEÑA. Congressman, if I can clarify a couple of points there. We know generally the unemployment rate in the construction industry is between 15 and 17 percent. We are, at least in the transportation side, looking at an industry that has capacity to add more people to the work force.

In addition to that, our view is that the unemployment rate, while it has come down recently, is still higher than it was when the recession was officially declared ended. And at that point I think the unemployment rate was 6.9 percent, assuming you looked at the middle of 1991.

So in that sense, while there has been some improvement in the unemployment rate, it is still higher from our perspective than it was at the end of the official declaration of the recession.

Mr. WOLF. Well, I guess the question would be, is that unemployment rate regional? I think it is isolated in certain areas. Some areas are doing relatively very well, other areas are not doing as well. That is one of the problems.

The other is I would urge you to take a look at Samuelson's column in *Newsweek*. He talks about the different times this has been tried. It really almost has never, never worked. And the real danger is you are going to do something like this and heat up the economy, and I think it is, like I said yesterday, similar to somebody who is ready to go on a diet but wants to binge first. Or maybe a different analogy is having somebody who is in bankruptcy, or working themselves out of bankruptcy, but just before they put the plan in effect they go out and remodel the patio or build a new deck.

It is deficit spending. The Administration has made a big deal about lowering the deficit. There are reasonable people who differ on both sides, but I think you would be better off if this package didn't pass. I think a lot of Members are having problems voting for something which is more a spending package than a deficit reduction plan.

DEFINING "EMERGENCY" FOR FEDERAL SPENDING

Secretary Pena, how does the Administration define "emergency" as it applies to Federal spending?

[The information follows:]

The administration proposes that Congress declare the funding in the stimulus package as emergency requirements for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985. The emergency requirement that we see is an economic recovery that has produced few new jobs.

Mr. **Wolf**. Why is this stimulus package classified as emergency spending?

[The information follows:]

The stimulus package is proposed as emergency spending which is needed to ensure that the recovery from the recession is strong and durable. The economy is still vulnerable. Moreover, the economy has not yet felt the full impact of the corporate layoffs announced earlier this year or the changes proposed in the government workforce.

Mr. **Wolf**. Does the administration consider a $400 billion deficit an emergency, and if so, why do we have before us a proposal that fans the flames with more spending and tax increases?

[The information follows:]

The administration believes that the federal budget deficit is too high and must be reduced, and the President has put forward a bold, balanced, comprehensive plan for deficit reduction, which includes spending cuts and tax increases. We recognize that deficit reduction must be carefully timed and prudently sized so as not to weaken the economy in the short term, and the President's plan has been carefully crafted to limit the economic cost.

The nation has been suffering from two deficits, however: the federal budget deficit and the deficit in public investment in education, training, infrastructure, and civilian technology. Like private investments, well-chosen public investments raise future living standards. Deficit reduction at the expense of public investment has been and will continue to be self-defeating. The President's plan is aimed at reducing the deficit while increasing much-needed public investment, including the short-term investment in the stimulus package that will also put people back to work.

ECONOMIC INDICATORS

Mr. **Wolf**. Would you agree that, according to the indicators, the economy is headed in the right direction—up?

[The information follows:]

Yes, many of the economic indicators are headed in the right direction, but, for most Americans, the recession has not ended. The unemployment rate is higher than it was in March 1991, which the National Bureau of Economic Research said was the recession's end. The fraction of the unemployed who have permanently lost their jobs is near its record high, and key industries are laying off workers to become more competitive. We have seen this recovery falter before. This time, we must be absolutely sure that the recovery is strong enough and durable enough to put Americans back to work.

Mr. **Wolf**. Yesterday in your testimony, I believe you indicated that the Administration has some reservation about our current recovery. Could you elaborate, and tell us what would constitute a good recovery, that is, one that would require no tinkering?

[The information follows:]

Primarily, one that was producing more jobs and better jobs at higher wages; one that was adding to our economy's capacity to create a better life for all. To achieve that, we must increase productivity growth. And we must invest more—including civilian public investment in infrastructure and the research and development that underpins future growth.

HELPING THE UNEMPLOYED AND DISPLACED WORKERS

Mr. **Wolf**. History indicates that when so-called jobs bills have been passed, a very small percentage of the resulting jobs have gone to those who were unemployed. If this stimulus package is intended as the downward force on the unemployment rate, how will you ensure that the jobs resulting from this spending go to unemployed workers?

[The information follows:]

Some elements of the stimulus proposal are specifically targeted to the unemployed, for example, the Summer Youth Employment and Training program. The transportation elements would not be targeted to the unemployed, but they will provide a real boost to the construction industry, which had an unemployment rate of 15.7 percent last December. We are confident that some of the jobs created will be jobs for the unemployed. Some part-time workers will find themselves going onto full-time employment. An increase in overall employment will be good for the unemployed, the underemployed, and the economy as a whole.

Mr. **Wolf**. Would the Administration be open to a stipulation in the language that all jobs generated by this funding be given only to those Americans currently unemployed due to the economic downturn?

[The information follows:]

No. Such a stipulation would be too constricting on contractors who would bid for the projects to be funded, and would likely nullify the positive effects of the proposal. With the high unemployment rate in the construction industry, we believe unemployed Americans will find jobs working on the projects to be funded by the stimulus, but contractors must have the flexibility to hire underemployed workers or workers who are finishing up earlier projects and who would not have continuing employment without these new projects.

TYPES OF JOBS CREATED

Mr. **Wolf**. If this package creates the 70,000 jobs you have predicted, it will be at an average cost of about $60,000. What type of jobs will be created, and will the jobs pay less than it took the taxpayers to create them?

[The information follows:]

It is not correct to divide the total multi-year funding we propose for the transportation component of the stimulus by the jobs we estimate will be created by the end of fiscal year 1994 for two major reasons. First, we will only have outlayed about 70 percent of the funds by that time. The job support effect of these funds will continue at a reduced level for several more years beyond 1994. Second, the calculation assumes that all the funds will go to wages, but materials and transportation costs will also be involved. The jobs that will be created will be the usual range of jobs in the construction industry and bus manufacturing industry, and we are sure the taxpayers will get their money's worth in lower unemployment and improved infrastructure.

SUSTAINED INFRASTRUCTURE INVESTMENT

Mr. **Wolf**. Do you see this stimulus package as a temporary spike in spending and not a part of our future spending baseline?

[The information follows:]

As a technical matter, we are not assuming the funds in the stimulus package become part of the baseline for future years, but the package is consistent with the President's investment proposals for the fiscal years 1994 through 1998. For example, the increase in the Federal-aid obligation limitation for fiscal year 1993, which accounts for about three-fourths of the total transportation component of the stimulus package, will increase the Federal-aid highway program to the level specified in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA). Under his investment proposals, the President recommends full funding of ISTEA's highway program through the life of ISTEA. He also proposes increases over the baseline for transit formula capital grants, airport grants, and high speed rial.

Mr. **Wolf**. If this is truly a temporary measure, as opposed to spending that becomes built in, why would the private sector gear up? Certainly, some companies might be able to recall some laid off workers on a temporary basis, but isn't a steady, predictable revenue stream the basis for business decisions?

[The information follows:]

If Congress passes the President's investment proposals for fiscal years 1994 through 1998 as well as his proposed fiscal year 1993 stimulus package, there will be an increase over the baseline in those future years for the kind of projects that would be funded in the stimulus. For the transportation components, the stimulus package would basically not be a one-time spike, but would be followed by sustained investment in infrastructure, which would justify any special efforts by the private sector to ensure the stimulus funds are put to work promptly.

Mr. **Wolf**. The President's budget plan, titled "A Vision of Change for America," indicates that the availability of this stimulus spending would cause private contractors to proceed with hiring workers, but that the actual outlays would be made in later years. Is it feasible that we might find ourselves paying for jobs after they have come and gone? And isn't that the very kind of spending cycle we need to break?

[The information follows:]

Since our grant programs are basically reimbursement programs, we pay our grantees after they have paid the contractors who have already paid the wages. So, to a limited extent, our outlays follow the actual work. But construction projects frequently take years to complete, so, while workers are hired at the beginning, their salaries continue to be paid for years, and the Federal government has outlays. We estimate that about 12 percent of the stimulus package's new budget resources in the transportation area would translate into outlays this fiscal year (that is, reimburse for work already accomplished) and a total of 70 percent would be outlayed by the end of the next fiscal year. The major impact of these funds will be felt by then.

"USE-IT-OR-LOSE-IT" PROVISIONS

Mr. **Wolf**. In general, how comfortable are you with the signal sent with "use-it-or-lose-it" budgeting? Isn't that the antithesis of "use it wisely"?

[The information follows:]

The department is very comfortable with the "use it or lose it" provision because we are working within existing programs. Our grantees must use the formula funds or lose them, but they must use them on projects that have been through the required planning processes, met environmental requirements, and satisfied all other requirements of our programs. These will be worthwhile projects. We expect the real effect of the stimulus package will be to fund projects sooner than they would otherwise have been funded.

ISTEA AND THE ECONOMY

Mr. **Carr**. Mr. Durbin.

Mr. **Durbin**. Thank you very much.

Mr. Secretary, I am sorry I couldn't join you yesterday but our Subcommittee down the hall was meeting at the same time. I have a few minutes today before we reconvene with Secretary Espy.

I support your package and I believe it is the right thing to do at this moment. We have not recovered from this recession. In my part of the world, there are still too many people unemployed. There were more business failures last year than at any time since 1927 in our Nation.

I think we are in recovery. I would concede that we are in an anemic recovery. I think what President Clinton is setting out to do is wise on at least two counts.

First, I think infrastructure investments have a certain permanency to them. Even if we have guessed wrong and this does not have an immediate impact on the recession, people will benefit not only from going back to work, some 500,000 of them or more, but also by the fact that what we have done with this money is of a permanent nature.

Had we decided to create temporary jobs through the summer, picking up litter on the highways, for example, I might have some serious doubts about this. But in this case, I think that you are making changes that will ultimately benefit the economy and the productivity of our Nation.

The second point I would make, and I guess I disagree with my colleague from Virginia, in the practical, real world I don't think that you can say that the people to be hired must all be unemployed. What is likely to occur in my State is that if there is more highway construction, it will be by competitive bid, there will be contractors on the job who will put people to work. They will be creating more opportunities for the people that work there and possibly creating other opportunities unrelated to this spending for other folks to go to work. That is the nature of it. Though, we may not create directly jobs for the unemployed, we may create opportunities for the unemployed in other sectors and areas by this program.

So I think it inures to the ultimate benefit of the unemployed, and we shouldn't be so specific as to say it is going to be put only to the purpose of bringing the unemployed back into these projects.

I might note here a statement that was made by one of our national leaders about the ISTEA legislation that we are attempting to fund through this emergency stimulus package. This leader said that this bill would enable us to build and repair roads, fix bridges and improve mass transits, keep Americans on the move and help the economy in the process. But, really, it is summed up by three words, jobs, jobs, jobs, and that is the priority, he said.

He went on to say the American people want action, and I want every American to know that getting the economy back on track is my number one priority. He then said, across America, the Transportation Act will help companies put people back to work. And he concluded, and this bill also means investment in America's economic future, for an efficient transportation system is absolutely essential for a productive and efficient economy.

The gentleman who made those remarks was President Bush. It was President Bush when he signed the ISTEA bill. He was right then, it is right now, and the investment this Administration is making, I think, is an investment in our future.

I am happy to support you. I have read your testimony, and the specifics of your proposal, and I am fully supportive of it. I yield back the balance of my time.

EMERGENCY SPENDING

Mr. CARR. The gentleman from Texas.

Mr. DELAY. Thank you, Mr. Chairman.

There is a differing view about that statement, and my view is he was wrong then and he is wrong now and we are being proven he is wrong. And I told him at the time he was wrong, by the way.

I, too, am having a hard time figuring out what is an emergency, Mr. Secretary. Now things have changed, evidently, by the papers this morning and by some negotiations last night, and I am very pleased that now we are having this hearing because of the change in strategy of how to implement the President's plan.

Now it seems, and correct me if I am wrong, by the papers this morning, we are going to put off the stimulus package until we get to the spending cuts and/or tax increases proposed by the President, where if you look at the timing of that, by the time we get to a budget reconciliation—and it is well noted and appreciated this Administration and those that are in the Majority of this Congress are moving much faster than we have moved in the past, and I give them that—but by the time we pass into law a budget reconciliation package, there is no way that you can pass it before June. I would be willing to bet you won't be able to pass it until September.

Now, if we are going to wait for the spending cuts and the tax increases before we do deficit spending increases, deficit increases in spending for this stimulus package, we are looking at September or October or November before this stimulus package is passed. By the time we do that, we will have already passed, or at least be ready to pass the FY 1994 appropriations bill.

So it seems to me that if you have changed your strategy on how you are going to do things, you have also changed your definition of emergency, because this is not an emergency if we have to wait until November to pass it and implement it next year when we have a bill going through the process anyway.

Can you comment on that?

Secretary PEÑA. Congressman, you raise a very good point. I don't think, first of all, those negotiations and discussions have been finalized. But as I understand the concept, it is to get at least the budget resolution passed first. I am hopeful that if that is the final understanding, that can still occur quickly, allowing the stimulus package to proceed and, meet our end-of–March goal. If we can do that, then I think we can still implement the stimulus package and have the effect that we would like to have.

Mr. DELAY. Well, that may be true, but I am also willing to bet you that people are going to find out that a budget resolution is meaningless, because it doesn't have an effect in law at all, and the American people are calling, as we speak, for the spending cuts first before you tax the American people. By the time we get to the point of passing the budget resolution, I think the pressure is going to be so great that another change in strategy is going to happen and, frankly, even if we are going to wait until March, I would hope that we would wait to mark this bill up until March and not mark it up now, because there is still a lot of questions and a lot of the evaluation ought to be done.

COST PER JOB CREATED

For instance, I have been made aware of the fact, and I would like for you to comment on this, the cost per job created with this money. It has been proposed that there is going to be 45,000 jobs created in the highway ISTEA portion of this package which amounts to $65,841 per job.

The airport's part of this package would create 800 jobs at the cost of $312,500 per job; Amtrak portion would create 1,450 jobs at a cost of $129,655 per job; and the mass transit portion of this would cost, the number of jobs created would be 9,300 jobs at a cost of $79,140 per job.

That seems like an awful lot of money per job, even when, as the gentleman from Virginia was discussing, we feel, and I think in discussion with some of your model people last night, although they didn't agree, I was left with the impression that most of these jobs would not be created; they would be absorbed, the projects would be absorbed into existing companies with existing jobs. So if that is the case, the cost per job would rise even more.

Secretary PEÑA. Congressman, first of all, I was trying to listen carefully to the numbers you were announcing and I am not sure if you were referring to the jobs created between 1993 to 1997 or just the 1993 jobs or the 1994 jobs.

Mr. DELAY. I have the 1993 jobs.

Secretary PEÑA. Just the 1993 jobs?

Mr. DELAY. Yes.

Secretary PEÑA. We estimate, 90,000 jobs created between 1993 and 1997. That, obviously, then gives you a different per job number. Perhaps we are using different bases.

Mr. DELAY. All we did was simple math of taking the number of jobs and dividing it into the amount of money that would be expended for 1993.

Secretary PEÑA. For 1993. The problem with looking at just that calculation, is that in some of these projects, the larger job increases come after the fiscal year 1993. You have to take that into consideration. That is why we have been using the goal of 70,000 jobs by the end of the 1994 fiscal year as opposed to the 1993 fiscal year. I think your calculation, then, would be different.

Mr. DELAY. That is the problem I have. If that is the case, then there is no emergency, because those jobs would come in 1994. We could work it into our fiscal year 1994 bill here; we could work through it in the normal appropriations process, and we don't have to have higher deficit spending.

Secretary PEÑA. Congressman, I think there are two problems, at least. One is that the job cuts that have been announced have not occurred yet. The job cuts that were announced last year—let us take the base closures alone in my State. That base is not closed yet. It will be closed if not this year perhaps next year. So just on the defense-side cuts that were announced a year or two ago will not have an impact until perhaps 1994.

Some of the layoff announcements—for example, I talked yesterday about the Boeing announcement—will not all occur this year. Some will also occur in 1994 and the same is true with GM and some of the other announcements that have happened.

So the way we have approached it is the emergency is now, we have to get the people employed immediately, with an understanding there will be some spillover into 1994, but that is the way we view the emergency.

UNEMPLOYMENT IN CONSTRUCTION INDUSTRY

Mr. DeLay. OK. Well, that is reasonable. This is the first I have heard of 15 percent unemployment in the construction industry. Without really getting into details, I would like to see how you arrived at 15 percent.

Secretary Peña. I think that comes from the industry.

Ms. Collins. It is not a calculated number on our part.

Mr. DeLay. It is not?

Secretary Peña. No.

Mr. DeLay. Which industry did you get it from?

Ms. Collins. Fifteen percent was the actual unemployment rate in December. I don't have the source of the figures with me, but we can get that. Those kinds of data are reported by the Department of Labor and other agencies that report unemployment figures.

Mr. DeLay. So you think that came from the Department of Labor?

Ms. Collins. I believe so. We did not create that number.

Mr. DeLay. Okay. I would like to see how they arrived at that and, you know, 15 percent could be—you could have 30 percent in the Northeast and 5 percent in the West.

Secretary Peña. That is right.

Ms. Collins. Certainly, that is a national number.

Mr. DeLay. Yes.

[The information follows:]

The source of the unemployment data is a table published by the Department of Labor, Bureau of Labor Statistics, entitled "Unemployment Rate, Private Wage and Salary Workers, Construction."

UNEMPLOYMENT RATE IN A RECOVERY—WHAT IS ACCEPTABLE?

Mr. DeLay. What is the acceptable unemployment rate for the Administration? When are we not in an emergency? At what rate are we not in an emergency?

Secretary Peña. Well, Congressman, I don't think we have an answer to the question of what is an acceptable unemployment rate. If you are unemployed, you are unemployed, that is unacceptable.

The point we are focusing on is that the normal changes in employment that we would see in a typical recovery, are not happening in this recovery. As was said earlier, this has been a different recession, and a different recovery. Because of that, we believe that it has created an emergency need that we must address immediately.

Now, had this been a normal recovery, I don't believe we would be saying this is an emergency. We would be simply saying, as everyone thought last year, that the normal recovery was occurring, we were well on our way and we were not going to be overstimulating of the economy.

What troubles me a bit is on the one hand, some people are saying this stimulus package is so insufficient it is not going to make a difference. Other people are saying we don't want it because it will overheat the economy. We cannot have it both ways. I need to have a little clarity about what the position is.

DEFICIT REDUCTION AND STIMULATING THE ECONOMY

Mr. WOLF. Would the gentleman yield? You can have it both ways. It can create a problem but the problem doesn't really help you do anything for the other problem that you are trying to solve. I mean, it really can. Medicine can react in a different way. It doesn't help you, but it can actually hurt you.

I think the problem is, and, frankly, my problem isn't with you, I think the Clinton administration, and I think a newspaper column today deals with this as much as anything, there is really going to be a deficit with regard to trust. The words that come out really don't fit completely.

I will tell you, most people do not believe this stimulus package is necessary. There are major problems. From the telephone calls I have had over and over and over the message is please cut the deficit. The stimulus package doesn't cut the deficit. So it is not because you cut one or the other. I mean, it does make a difference. It does make a big difference.

I yield back my time.

Secretary PEÑA. I don't want to belabor the point, but let me add, because I have been talking to a lot of people around the country also, two points:

One, when I make presentations about this economic plan I hear that people do want the cuts and they want the cuts immediately, and we emphasize that when we talk about this total package. What I said yesterday, I am not sure if you were here at the time when I testified about this, we are committed to making $9 billion of cuts just on the administrative side alone. In my own department, close to $150 million of cuts. Those are real cuts and real jobs that are going to be ended and we are very committed to doing that.

Second, we say that we need this booster shot in the economy, that we need to make some changes, we need to get going again and we need to stimulate the economy, people respond favorably to that also. I am getting favorable comments about both those issues.

What this package does is address both those issues simultaneously, a commitment to the cuts and also a commitment to the stimulus. So I think we are trying to be balanced about this and responding to both concerns that the American public has.

Mr. DELAY. Well, Mr. Secretary, what you are experiencing is two different philosophies, and I am not going to speak for the gentleman from Virginia, but what I hear from around the nation is if you really want a stimulus, the way to stimulate the economy is to lower the cost of labor, lower the cost of capital, lower the cost of savings so that you can, and people will have money to create jobs. You don't stimulate the economy by deficit spending and more government and that is a real difference.

I might say on your figure, our crack staff pulled out from the hearings last year, and you are correct, these are Bureau of Labor Statistics, and I will correct you a little bit, in that in December it was 16 percent. But if you look over the last 20 years, it has never gotten below 10 percent.

So the construction industry has always been in the double figures in unemployment, and, actually, 15 percent is about an average if you take each year and just look down. It goes anywhere from 10 percent to 20 percent. Fifteen percent is an average unemployment rate. It is not a crisis in the construction industry or we would have been in a crisis since 1975.

Secretary PEÑA. Congressman, I would be happy to respond to that.

Mr. DELAY. Sure.

Secretary PEÑA. I was asked the question, what is an acceptable unemployment rate. If you ask people in the construction industry is a 15 percent unemployment rate in the construction industry an acceptable rate, I would be amazed if they said it was acceptable. There is a big difference between 10 and 15 percent in the construction industry. That is not a modest change but a significant change.

I would argue this is an appropriate concern to have as we address, in particular, the transportation piece of the stimulus package.

Mr. DELAY. At the end of your four-year term, and for your sake I hope it is eight years, you will find out that the construction industry is not much different than farmers or any other businessman, it just ain't never good enough, but it is not a crisis.

That is the key here: An emergency. And creating deficit spending comes from a crisis. Today, we are going to extend, because we don't have the votes to stop it, we are going to extend unemployment benefits because of a crisis, when the economy is growing and growing better than it has in a few years.

And you are talking about productivity is up, certainly, but jobs, filling the jobs, are not where you would like to see it, but those will come. Because what happened was it was a shakeout and our economy got lean and mean, as lean as it could get. Now the productivity, they are a little worried about what the future is concerned so they are not expanding at the rate they should expand but the jobs will come.

I would just like to know what the Administration considers a crisis. I mean, we heard during the campaign that the economy all last year was the worst economy in 50 years when we were in a growth pattern, and now we are told that because we are in one of the better growth patterns we have had, albeit unemployment is unacceptable at the present level of 7 percent, we are in a crisis and we need more deficit spending. That is the problem we are having.

I will be glad to yield back to the Chairman.

NEED FOR PROPOSED SUPPLEMENTALS

Mr. Carr. I thank the gentleman and I, since I didn't call this hearing today and I feel as though I have exhausted my right to ask questions, I will only make a comment, Mr. Secretary.

As far as I am concerned, the only problem the administration has created here is to, I think, confuse long-term investment with short-term stimulus. We have supplementals every year for one thing and another, and I don't see any reason why this President shouldn't propose to the Congress a supplemental, because, after all, the budget that was proposed, it was a budget prepared by his opponent, the person that did not get reelected as President.

So it seems to me that, and as I recall, President Reagan came in with a stimulus. He didn't call it a stimulus package but came in with a supplemental that rearranged some things that President Carter had put in place, and I wouldn't be a bit surprised if we look back in history, that Bush didn't try to rearrange some things that Reagan put in place. I think Clinton is perfectly entitled to come to the Congress and propose a supplemental that there be different priorities. After all, he talked about having, among other things, that the spending we do have to do shift from consumption toward investment.

And, as I look at the President's proposal that is before this Subcommittee, I am not making comments on the rest of it, but I think the proposal before this Subcommittee is a welcome downpayment on his commitment to invest in the infrastructure, the transportation infrastructure, of America.

So I think the administration has maybe caused itself a bit of a problem by mixing apples and oranges in one bill. I am not convinced that there is any dire emergency here. That has an effect only on scoring and budget agreements and a few other things, and I understand why somebody might call it an emergency. I don't think it is an emergency, frankly. I don't think it is a jobs bill, although jobs will be a welcomed by-product to some of the things that are done. I think the President is right to be able to come here and translate his words in the campaign that were endorsed by the American public into action, and that is as simple as I can state it.

I would say, if this was a jobs bill, our portion here, then I would probably vote against it because it doesn't do very much for Michigan, frankly. I owe a special responsibility to my State.

PUBLIC WORKS COMMITTEE STATEMENT

I requested that the authorizing Chairs of the committees affected by our bill be invited to submit testimony, and indeed invited to attend our hearings, if they so choose. I expect that they will reciprocate in a way that we have not done in recent years to get our own house in order with our own authorization committees. In that regard, I ask unanimous consent to insert a statement by Chairman Mineta, Chairman Oberstar, and Chairman Rahall on this particular subject in the record.

If the Ranking Members would like to do the same, we would be glad to insert that in the record, too. I think we want to work better with our authorizing colleagues.

[The prepared statement of Hon. Mineta, Hon. Oberstar, and Hon. Rahall follows:]

STATEMENT OF CHAIR NORMAN Y. MINETA,
SUBCOMMITTEE CHAIR JAMES L. OBERSTAR,
AND SUBCOMMITTEE CHAIR NICK J. RAHALL
BEFORE THE
HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON TRANSPORTATION
FEBRUARY 23, 1993

Mr. Chairman and Members of the Subcommittee on Transportation, we welcome the opportunity to support the efforts of President Clinton to quickly provide funding for transportation programs which will strengthen an anemic economic recovery by providing jobs now and transportation improvements of long-term value as well.

As you know, the President has proposed additional transportation spending in FY93 using two criteria: relatively quick job creation and sound long-term economic benefits in improved capacity or productivity.

To make the economic stimulus package the most effective job creation proposal possible, the Administration has focused on the recently enacted Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) as an appropriate legislative vehicle to support the foundation of the President's economic infrastructure stimulus proposal. ISTEA was enacted with a great deal of enthusiasm and support for increasing the investment in the nation's surface transportation infrastructure programs. The legislation enjoyed overwhelming support in both Houses of Congress and was cited favorably by all candidates on the Presidential campaign trail as one of the most important pieces of legislation enacted in the 102nd Congress.

There are real advantages in utilizing an existing program such as ISTEA in attempting to create both quick stimulus and long-term value. An existing program already has its rules and processes in place and its projects moving through the funding process. Neither the programs nor the projects need be created from scratch. Much of the preliminary work has already been done, and in many instances projects, including those which may individually have been relatively slow to progress through planning, environmental approval, and design, have already done so and are now ready to proceed to construction.

The full potential of ISTEA for jobs creation and investment in needed infrastructure has not been realized because of the underfunding of the Act. Now, the Administration is proposing to improve the nation's economy by fully funding the Federal-aid highway program to the levels contained in ISTEA, an increase of approximately $3 billion in FY93 obligation authority. To further enhance the effectiveness of this proposal as economic stimulus, the President is proposing that the funds only be made available through the end of this fiscal year for projects ready to go within 60 days of enactment. Funds not obligated within the 60-day period would be distributed to those States that can obligate the funds by September 30, 1993. In addition, the provisions of ISTEA that provide for the August redistribution of obligation authority would be followed.

Assuming enactment of these proposals by the beginning of April, a goal which we certainly urge should be met, most projects would have received bids by the beginning of June, more than adequate time for substantial construction to occur in the 1993 construction season.

We would also note that the effect of the 60 day requirement will be to alter the normal mix of project types, producing, for example, more resurfacing, rehab, and restoration projects, and fewer new starts, than would normally be the case. This will result in faster spend-out rates and greater job creation than is the case historically in these programs. In fact, it appears that the spend-out rates assumed in the materials accompanying these proposals are more appropriate to the usual program and therefore project a spend-out rate larger than is likely to be the case with this modified program.

The 60 days-to-bid requirement in the President's proposal would accomplish this desired speed-up of spend-out rates. It would not be advisable to require in addition that projects be only of a certain type, such as resurfacing, rehab, and restoration, since other kinds of projects which can meet the 60 day requirement would also meet the stimulus policy objectives, and since state and local governments should have the flexibility within the 60 day requirement to use the funding for their highest priority projects.

The Administration estimates that the highway funding proposed would generate 13,000 jobs in FY93 and 45,200 in FY94. These estimates include only direct and indirect jobs, not induced jobs or jobs resulting over the long-haul from the long-term investment value of the projects in improved economic performance. Also, as noted above, the estimates may suggest greater delay in job creation than will actually occur, due to spend-out rates not fully recognizing the effects of the 60 days to bid requirement.

Mr. Chairman, there is no question that these additional funds, and more if they were made available, could be fully utilized to meet highway needs all across America. Recent surveys conducted by the National Governors' Association, the Association of State Highway and Transportation Officials, the U.S. Conference of Mayors, and the Federal Highway Administration have documented the ability of the States to commit all available highway funds to projects in FY 1993. The surveys indicate that all states have sufficient projects to obligate additional funds in FY93. According to the recent report of the Secretary of Transportation to the United States Congress, entitled Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance, the backlog of unmet highway pavement deficiencies and feasible capacity deficiencies will cost approximately $7 billion more than the cost to eliminate the backlog in 1989. The backlog of documented needs far exceed the level of funding made available in the economic stimulus package. As such, the States will have the capacity to advance projects and use the full amount made available to them.

Turning to Federal transit programs, they were appropriated for FY 1993 at a level $1.6 billion below the $5.2 billion authorized in ISTEA. The President's stimulus package only restores $750 million, or 47%, of this shortfall. In other words, although highways would be fully appropriated at their ISTEA levels by the stimulus package, transit would be shorted by $850 million. We support the additional $750 million, but the failure of this package to provide the same full-funding to transit as is provided to highways is unjustified and is cause for concern. Moreover, none of these additional funds may be used for operating assistance, which remains at a level more than $230 million below the level authorized by ISTEA.

Mr. Chairman, people across the country depend on Federal funds to help keep transit fares affordable, maintain the safety of bus and rail vehicles, clean-up polluted air, and provide access to persons with disabilities. A recent survey conducted by the American Public Transit Association estimated that more than $7 billion in Federal funds could be quickly obligated over and above existing program levels. Yet, the stimulus package only contains slightly more than 10% of that amount. Surely, a $7 billion backlog of unmet transit needs justifies, at a minimum, full funding of ISTEA's transit programs comparable to the full funding of highway programs.

As in the case of highways, the Administration has proposed a 60 days to obligation requirement on the transit formula funds (i.e. Sections 9, 16, and 18). This will have the same effect in transit as in highways: spend-out rates will be faster than normal, job creation will be somewhat greater than normal, and project mix will be altered - more rehab and vehicle purchases, fewer new starts and new alignment projects than would normally be the case. As with highways, the accompanying estimates of spend-out rates and job creation may not fully reflect the effects of the 60 day requirement. The Administration estimates 9,300 jobs would be created in FY93 and FY94.

Also as in highways, it would not be appropriate to add further requirements that projects only be of a certain type: any project which can meet the normal program criteria plus the 60 days to obligation requirement should not be precluded from formula funding. To do so would only bar transit authorities from using available funding for their highest priority projects.

With regard both to highways and to transit, the Committee on Public Works and Transportation wholeheartedly endorses the President's approach of using ISTEA as the vehicle to expedite a major component of his economic stimulus package.

The full implementation of the provisions of the ISTEA will ensure the eligibility of Federal-aid projects, provide greater flexibility among program categories, and streamline project approval processes. The States are well aware of the provisions of ISTEA and would be able to maximize the use of the funds made available under the economic stimulus package.

Not only would the existing programs and procedures be followed to advance Federal-aid projects, increased obligation authority would be made available to all States as authorized in ISTEA. As we all know, the increased obligation authority being provided to the States is the fulfillment of the commitment made by the Congress through the enactment of ISTEA.

It should also be noted that the States would continue to have the ability to use the temporary match waiver provisions that were included in ISTEA, offering them an additional option by which to assure that available funding could be obligated quickly.

President Clinton has also proposed an additional $250 million in FY93 for Airport Improvement Program discretionary grants, bringing the program to full full-funding. We fully support this proposal. However, we would note that this is far less than the needed level and far less than the requests FAA now has pending for projects which could be quickly started in this fiscal year.

In sum, we support the proposals made to you by President Clinton and we believe that they should be quickly approved by this Committee "as is", without modification. We would be particularly concerned by the addition of any authorizing language contrary to Rule XXI of the House of Representatives, other than as included in the President's proposal.

Finally, we would like to advise you that the Committee on Public Works and Transportation will conduct a series of oversight hearings this year on the implementation of ISTEA. Any proposals or recommendations to amend ISTEA will be considered by our Committee as part of that review. We would welcome at that time any observations or recommendations you or your colleagues on the Subcommittee might have as to the implementation or performance of ISTEA and how it might be better implemented or modified.

However, at this time the agenda before the Congress is to enact expeditiously the President's proposals for economic stimulus and job creation. We fully support that agenda.

STATE STATISTICS IN RELATION TO STIMULUS FUNDS

Mr. CARR. Mr. Secretary, I am going to give you a chart. This is where my fundamental problem is with using ISTEA without some modifications in the rules of spending under your proposal. It contains rankings of States by population, by road miles, by vehicle miles traveled, by the stimulus funds, and by stimulus funds per unemployed worker. This is why I don't regard the last column here as particularly relevant because I think of this as an investment bill with a jobs by-product.

But just by way of noting, if this was a jobs bill I would have to vote against it because out of 51 jurisdictions, including the District of Columbia, stimulus, so-called stimulus funds per unemployed worker, Michigan ranks dead last in the country. Ranks 51.

Now, if we keep calling it a stimulus jobs bill, and with all due respect to you, Mr. Secretary, rather than an investment in the future bill, you are going to force me to vote against this thing. Michigan just doesn't do very well.

I might say that Michigan and a whole host of States don't do very well under ISTEA, and you have heard me say that before. This is one of my real serious, serious problems with this particular bill. We have got New Jersey being one of the top States to receive funds in ISTEA and under the stimulus bill, and yet New Jersey, which ranks ninth in population, it ranks 41st in road miles; it ranks 12th in vehicle miles traveled; and it is one of the top ten States to get stimulus money. It ranks very, very well in ISTEA. There are a lot of other States that don't rank well.

So I want to make the point both to the Administration and to anyone listening, including our friends in the media, that all the pork is not in demonstration projects. You can design a formula that really contains embedded in it a rather perpetual amount of pork every year.

I know that this is not the bill to resolve all those conflicts, but I hope in the future we will be able to work with you to make sure that whatever formulas we have in authorizing legislation, or whatever action our Committee takes here, that we will try to be more neutral with regard to the various regions of the country. We will keep our eye focused on the investment and the economic return as opposed to the short-term job creation or the short-term political job creation of what it is we do.

We thank you very much.

[The chart follows:]

Stimulus Funds By Population, Road Miles VMTs and Unemloyment in Construction

	Population	Rank	Road Miles	Rank	VMTs (000,000)	Rank	Stimulus Funds (000,000)	Rank	Stimulus Funds per Unemployed Construction Worker	Rank
Alabama	4,040,587	22	90,703	20	42,924	19	$50.40	23	$2,291	48
Alaska	550,043	50	13,524	47	4,021	50	$37.60	32	$9,400	9
Arizona	3,665,228	24	55,323	35	34,929	23	$43.10	28	$3,918	26
Arkansas	2,350,725	33	77,171	26	21,934	33	$31.20	36	$3,900	27
California	29,760,021	1	165,881	2	257,976	1	$329.50	1	$2,099	50
Colorado	3,294,394	26	77,880	25	27,744	27	$45.30	26	$5,663	12
Connecticut	3,287,116	27	20,124	44	26,628	28	$70.00	13	$4,118	21
Delaware	666,168	46	5,512	49	6,721	45	$13.10	51	$3,275	35
District of Columbia	606,900	48	1,102	51	3,430	51	$21.00	41	$10,500	5
Florida	12,937,925	4	109,374	15	113,483	3	$122.10	7	$2,544	44
Georgia	6,478,216	11	110,482	13	73,005	9	$87.80	10	$4,878	15
Hawaii	1,108,229	41	4,102	50	8,143	43	$50.90	22	$12,725	3
Idaho	1,006,749	42	62,209	32	10,318	40	$20.60	42	$4,120	20
Illinois	11,430,602	6	136,171	3	85,430	7	$145.10	6	$4,268	19
Indiana	5,544,159	14	92,029	19	54,266	13	$65.30	16	$4,664	17
Iowa	2,776,755	30	112,554	10	23,020	32	$39.00	31	$3,545	31
Kansas	2,477,574	32	133,467	4	23,186	31	$35.50	33	$11,833	4
Kentucky	3,685,296	23	69,726	29	35,213	22	$45.70	25	$3,264	36
Louisiana	4,219,973	21	58,536	33	34,710	24	$50.00	24	$2,500	46
Maine	1,227,928	38	22,444	43	11,849	38	$15.70	48	$2,243	49
Maryland	4,781,468	19	28,984	42	41,349	20	$56.70	21	$2,700	42
Massachusetts	6,016,425	13	34,323	40	46,537	16	$202.70	4	$6,990	10
Michigan	9,295,297	8	117,545	7	81,935	8	$86.30	11	$2,055	51
Minnesota	4,375,099	20	129,438	5	39,254	21	$63.40	18	$6,340	11
Mississippi	2,573,216	31	72,530	27	24,897	30	$33.80	34	$3,756	29
Missouri	5,117,073	15	121,055	6	50,982	14	$66.10	15	$4,721	16

Stimulus Funds By Population, Road Miles VMTs and Unemloyment in Construction

	Population	Rank	Road Miles	Rank	VMTs (000,000)	Rank	Stimulus Funds (000,000)	Rank	Stimulus Funds per Unemployed Construction Worker	Rank
Montana	799,065	44	70,767	28	8,314	42	$29.30	37	$9,767	7
Nebraska	1,578,385	36	92,668	18	14,095	37	$27.60	39	$27,600	1
Nevada	1,201,833	39	45,578	36	10,510	39	$20.00	46	$3,333	33
New Hampshire	1,109,252	40	14,868	45	9,935	41	$15.10	49	$3,775	28
New Jersey	7,730,188	9	34,268	41	59,289	12	$113.40	9	$3,658	30
New Mexico	1,515,069	37	56,076	34	16,773	34	$32.60	35	$5,433	13
New York	17,990,455	2	111,442	12	107,661	4	$248.60	2	$2,995	38
North Carolina	6,628,637	10	95,144	17	64,883	10	$73.60	12	$4,089	23
North Dakota	638,800	47	86,625	21	5,951	48	$18.90	47	$9,450	8
Ohio	10,847,115	7	113,565	9	93,002	5	$114.20	8	$2,785	40
Oklahoma	3,145,585	28	112,261	11	34,240	26	$40.70	29	$4,070	25
Oregon	2,842,321	29	96,302	16	25,762	29	$39.70	30	$3,308	34
Pennsylvania	11,881,643	5	116,688	8	87,282	6	$148.40	5	$2,515	45
Rhode Island	1,003,464	43	6,120	48	7,152	44	$20.40	43	$4,080	24
South Carolina	3,486,703	25	64,082	31	34,456	25	$43.50	27	$2,900	39
South Dakota	696,004	45	83,237	23	6,711	46	$20.20	44	$20,200	2
Tennessee	4,877,185	17	84,852	22	47,267	15	$62.30	19	$3,115	37
Texas	16,986,510	3	293,509	1	158,756	2	$205.30	3	$3,480	32
Utah	1,722,850	35	43,155	37	15,391	36	$25.30	40	$5,060	14
Vermont	562,758	49	14,136	46	5,870	49	$13.40	50	$4,467	18
Virginia	6,187,358	12	68,043	30	61,099	11	$63.80	17	$2,363	47
Washington	4,866,692	18	79,882	24	46,449	17	$68.70	14	$2,748	41
West Virginia	1,793,477	34	34,773	39	16,026	35	$29.10	38	$2,645	43
Wisconsin	4,891,769	16	110,372	14	45,458	18	$57.60	20	$4,114	22
Wyoming	453,588	51	38,697	38	5,998	47	$20.20	45	$10,100	6

GRANT OVERSIGHT

Mr. **Wolf**. Mr. Chairman, can I just raise two last points?

Mr. **Carr**. Yes.

Mr. **Wolf**. The use or lose thing creates a little bit of a problem, and none of this happened on your watch, but just to give you an example of some of the problems. The GAO said FTA currently administers 4,400 active total grants. Then they go on to say FTA's ineffective oversight of transit grants has enabled grant recipients to misuse millions of dollars in Federal funds. Grant recipients' problems with financial management procurement and inventory control have gone undetected or uncorrected for as long as a decade or more. We have documented waste and mismanagement at grant recipients in several FTA regions.

For example, even after it became apparent that Pittsburgh Port Authority Transit lacked the engineering skills to complete a nearly $20 million trolley rehabilitation project, FTA Philadelphia region continued to fund the project for several years without bringing action.

The GAO did a number of these. One said: Scarce Federal Funds, Misused in UMTA's Philadelphia Region.

The gentleman from UMTA, from SEPTA, was here yesterday.

Risk of Misspent and Ineffectively Used Funds in FTA's Chicago Region; Noncompliance and Misspent Funds by Two Grantees in UMTA's New York Region; Improved Management Could Reduce Misuse of Funds in UMTA's Region IX; If Properly Implemented, FTA Initiatives Should Improve Oversight.

The concern is that the use it or lose it provision is going to force these people to race ahead and misuse resources. I think it is something you are going to have to look at very carefully. And if you want to make a comment, fine, if you don't fine—and I have one other question I want to ask you with regard to your own budget.

Secretary **Peña**. Well, just very briefly, Congressman, I am aware of those past problems. The IG in our office has been working with FTA to correct those issues. She has been asked to testify today and will probably indicate there has been some improvement there.

Obviously, I am going to continue to provide oversight on that particular problem to correct those deficiencies. It is something that I have inherited. I am very much aware of those GAO reports and we are committed to correcting the problem.

Mr. **Wolf**. I am sure you will.

Yesterday, the modal administrators were here and, obviously, they are career people and it is not fair to put them on the spot, but I asked would there be any waste or graft or corruption and the FTA person said absolutely no problem whatsoever.

Well, if you look at it, there have been problems. And in this stimulus package, there is over $700 million for transit. If you flush it out there quickly and they have to use it quickly, there will be problems. Obviously there have been problems when there was no such deadline.

PROPOSED CIVILIAN WORK FORCE CUTS

In today's Washington Post, there is an article on the federal page. It says: No pain no gain. It seems President Clinton's order to cut the Federal payroll won't hurt that much at some agencies. In fact, it won't be felt at all in some places. That is because Clinton's pledge to cut 100,000 jobs, which amounts to about a 4 percent cut in the civilian work force, apparently is to be calculated on the basis of authorized, not actual, employment numbers.

Take, for example, the National Archives and Records Administration. Representative Steny Hoyer of Maryland, at a House Appropriations Subcommittee hearing yesterday asked what impact Clinton's government-wide decree would have there. The answer: Absolutely none. The reason, they said, is that the agency has an authorized level of 2,750 employees. Four percent of that is 110, but guess what? The Archives' actual work force totals 2,640. Then the article cites this trust factor, the stealth pay cut for example.

With regard to the Department of Transportation, will your cuts be based on an authorized level or on the actual level?

Secretary PEÑA. Let me have Katherine Collins—.

Ms. COLLINS. Congressman, if I could answer that. The employment cut is a reduction in full-time equivalents and not authorized positions. We will be making reductions beginning in 1993 of the FTE levels approved by this Committee. Because this is only civilian employment, we are talking about a reduction of over 2,800 FTEs off of a base of 70,000.

We are not cutting the Coast Guard military. So this means very real cuts, particularly for our operational agencies like FAA that have important safety missions as well as very small agencies like the Inspector General and the Saint Lawrence Seaway. This is very real to us and we are making those cuts.

Mr. WOLF. I was just wondering. I am not anxious that you put people out of jobs.

It gets back, though, to the trust factor. I believe that you can create a trust deficit in the country, and if you come out to the American people and exaggerate and overstate, then they look behind the rhetoric and see things differently. And as somebody said, if you listened to the speech the other night, it was a speech you would agree with for 95 percent, but when you look at the details, then, you begin to have a problem.

The American people are very trusting, but I think whatever you say, you should certainly try to do it. I think they will give a new administration a chance if there is candor, but if there is not, they will turn on you. I think right now the Clinton administration does have a trust deficit problem and I think it is important that the administration try to use accurate and honest figures.

Mr. Secretary, let me again thank you for coming up. I appreciate it. And thank you, Mr. Chairman.

TRANSIT DISCRETIONARY OUTLAY RATES

Ms. COLLINS. Mr. Chairman, if I may, I wanted to respond to an issue you raised yesterday about the outlay rates for transit discretionary grants.

Mr. CARR. Yes.

Ms. COLLINS. I did follow up with OMB and CBO and, yes, you were right, that CBO has used a first year spend-out rate of 5 percent versus the 45 that OMB figured. But it is important to note that the second year spend-out rate for CBO is actually much higher than ours. It is 80 percent. So that over the two year 1993–1994 time frame we are talking about, we are looking at an 85 percent spend-out rate, under CBO assumptions and between 90 and 100 for OMB.

So while they are still apart, they are not as much apart as we may have suggested yesterday. It is also important to note that CBO agrees that bus purchases will spend out at a much higher rate than the normal discretionary grant outlay rates, which are 2 percent.

Mr. CARR. I thank you for that clarification. What we need to do, though, is make sure that all such numbers between CBO and OMB get somehow or other reconciled so that perhaps we can look forward to the 1994 submission. We will want to use the CBO's standard and then note where OMB maybe has a dissent. It is not as though their opinion is unimportant, but we are going to key in on the fact that the President said we are going to use CBO assumptions, not OMB assumptions. Hopefully, we will narrow the gap on all counts.

I have noted that my friend and colleague from Pennsylvania has walked in. I was ready to dismiss the witness. Mr. Foglietta, in the interest of the Secretary's time, if you could—

NEED FOR TRANSIT RAIL MODERNIZATION FUNDS

Mr. FOGLIETTA. Mr. Chairman, I will be brief in the interest of moving this hearing along.

Mr. Secretary, the American people elected our new President to put an end to gridlock. They elected the President to get America's economy moving again and this Congress moving again. I support the President. I support you and your efforts in this package.

Mr. Secretary, as I outlined to you yesterday, I am looking for a greater emphasis to be placed on mass transit in all of its forms. That means buses, but it also means light rail, commuter rail and subways.

I am most concerned about transit systems in our Nation's older cities. These are cities that cannot afford new starts but they are in real need of modernization. And as stated so impressively by my city's own transit system manager last night, Mr. Gambaccini, transit overall, especially these older systems, have always been sacrificed.

Mr. Secretary, I hope when we see you again in a couple of months we will be talking about providing these systems with the help they need so desperately, but, for now, we need to put America back to work, and I believe we need to support our President and give his plan a chance to work. I thank you for being with us here today.

Secretary PEÑA. Thank you.

Mr. CARR. Thank you, Mr. Secretary, and Ms. Collins.

Secretary PEÑA. Thank you, Mr. Chairman and Members of the Committee. Appreciate it.

WEDNESDAY, FEBRUARY 24, 1993.

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

MARY SCHIAVO, INSPECTOR GENERAL

RAYMOND J. DECARLI, ASSISTANT INSPECTOR GENERAL FOR AUDITING

LAWRENCE H. WEINTROB, DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING

Mr. CARR. Our next witness will be Mary Schiavo, who is the Department of Transportation's Inspector General.

Ms. SCHIAVO. Good morning.

Mr. CARR. Welcome to the Committee.

Ms. SCHIAVO. Thank you.

Mr. CARR. Do you have some opening remarks that you would like to make?

Ms. SCHIAVO. Ordinarily, we do, Mr. Chairman. You are familiar with customary testimony format and what we usually do. However, we got the call kind of late last night, so I will just introduce the folks at the table with me. Then I will make a few brief general statements and let you get right to your questioning.

Mr. CARR. Fine.

Ms. SCHIAVO. With me today, I have Mr. Raymond DeCarli, Assistant Inspector General for Auditing and Mr. Lawrence Weintrob, who is the Deputy Assistant Inspector General for Auditing.

I know the Committee is well familiar with all of us because we have been up here many times before. The Committee is also familiar with the fact that we do auditing, investigation and evaluations throughout all of the programs and funds of the department, not just the ones we are interested in today.

We are here to answer questions about our completed audits or recommendations, or if they should come up, completed investigations. But, as always, we cannot comment on ongoing investigations and that is usually how we do it every time we appear here.

Mr. CARR. I understand and we are mighty glad you could come on such short notice. Mr. Wolf?

FEDERAL INFRASTRUCTURE INVESTMENT

Mr. WOLF. Thank you, Mr. Chairman.

Welcome. Welcome to the Committee and I appreciate the fact you are here, too. I will have a series of questions I will submit for the record, but let me ask you a couple here.

The GAO report states that the current focus on expanded Federal infrastructure investment, including mass transit, together with a potentially rapid infusion of funds, increases the need for making wise investments and carefully monitoring Federal funding. Do the DOT IG's findings comport with the GAO's findings.

Ms. SCHIAVO. Yes, our findings do comport with those findings. In the GAO report, (Mass Transit Grants: If Properly Implemented, FTA Initiatives Should Improve Oversight) the GAO cited a number of our own Inspector General audits and they did rely on some of the audits that we have completed.

I think actually they listed approximately 109 of our audits. We had been reporting problems concerning Federal Transit Administration (FTA) inadequate grants management for many years. In 1989 we listed FTA grants management as one of the department's Federal Managers' Financial Integrity Act (FMFIA) weaknesses, with which this committee is familiar. Whenever you put out a large amount of Federal dollars monitoring is essential. Obviously, that is our job, too. We look to see that internal controls are not bypassed and unnecessary risks are not taken in the expenditure of Federal dollars.

OVERSIGHT OF TRANSIT GRANTS

Mr. WOLF. GAO finds that FTA's ineffective oversight of transit grants has enabled grant recipients to misuse millions of dollars in Federal funding. Yesterday, I asked the FTA's person and he said there would be no problem with regard to pushing this $700 million out. Do you have any concerns with regard to that?

Ms. SCHIAVO. Well, obviously, we have concerns, because we have been working on these issues in the FTA for a number of years. As I mentioned, the GAO cited over 100 of our audit reports. FTA grants management has been an ongoing concern with us, including since 1989 when we listed it as one of the material weaknesses of the Department of Transportation.

I think GAO or Congressman Conyers in his report in the fall (Managing the Federal Government: A Decade of Decline), did cite a loss of several hundred million dollars, as one of the outcomes of the problems in the FTA grants oversight and grants management. We do have many specific examples, some of which GAO cited.

I won't go through those one by one this morning in the interest of time. We could submit a summary of those kinds of findings of examples. The audits have produced significant findings.

Mr. WOLF. So it is not a perfect process.

Ms. SCHIAVO. No, it is not a perfect process. We have talked to this committee—in fact, we enlisted this committee's help in the past, to help us hold FTA's feet to the fire. This committee did help us do that and helped us to get some changes made in FTA and in FTA grants oversight.

In the past year, and also cited in that GAO report, we reported that the FTA was attempting to make these improvements. They had started a change, if you will, in corporate culture. The FTA had come around more in terms of at least acknowledging that they needed to have a greater grants oversight role, and those changes were under way when that GAO report came out.

Now, granted that is a November 1992 GAO report and those changes are not finished. This is a long process that has just started.

Mr. WOLF. The Committee is considering $736 million for transit projects; $270 million of that amount is only for bus and bus related. Can you comment on that? Have there been any IG findings with regard to the bus program?

Ms. SCHIAVO. We do have a number of reports in the bus area. A couple of years ago we did a special assessment. One of my recent semiannual reports contained a special assessment on use of FTA and bus grants. We did have some pretty significant findings in that area, and we also made a number of recommendations. That particular special report was a culmination of many audits conducted in all ten regions covering grants over a five year period. We compiled the results in the assessment in my March 31, 1991 semiannual Reports to the Congress.

Of the 51 grantees we reviewed, we found 728 of the 2,877 new buses funded by FTA exceeded the FTA's spare bus allowance policy; 594 Federally-funded mass transit buses were used to provide school tripper service under conditions that are not allowed; 339 of the 594 Federally-funded buses were used for school service not being operated in conformance with the regulations.

We looked at another issue, and that is when buses are removed prematurely from service. In other words, if a bus is supposed to last 12 years—it is a standard we apply now—and they take it out of service at six years, that is six years of Federally-funded equipment that is removed from inventory. We found 225 of the buses removed prematurely from revenue service and the FTA was not reimbursed for the unused portion of minimum services life and 31 grantees used $92 million for 728 excess busses.

And we did make a number of findings and recommendations. Again, as we have been reporting to this committee, certainly every year in our budget hearings, that the FTA's criteria and the FTA's oversight and enforcement were often the root of the problem. We did attempt to hold their feet to the fire through a number of things, such as improving their triennial review process, increasing the number of personnel they have devoted to grant oversight and their grant oversight responsibilities, et cetera. We listed a number of those recommendations in our report. I won't belabor you with those this morning.

OVERSIGHT OF AIRPORT GRANTS

Mr. WOLF. That runs a little counter to what was said yesterday. What about airports? Have airports grants operated smoothly?

Ms. SCHIAVO. The history we have had with airports is different than our history with FTA. Again, we did a special assessment and that was reported in my September 30, 1990 Semiannual Report to Congress. That covered FAA grants awarded over a period of years, from 1985 to 1987: $962 million in 1380 grants.

We took a look at airport projects involving pavement constructions. What we looked at specifically was airport pavement purchased with Federal funds that was used to complete these airport projects.

In a nutshell, we found that the airport pavement was either not tested or did not conform to the requirements for the pavement. We found that approximately 85 percent of the pavement either was out of tolerance, did not meet the standards, or had not been tested sufficiently to allow anyone to make the decision whether it met the standards or not.

We did make a number of recommendations to FAA to improve their oversight. FAA agreed with our audit findings. They agreed with our recommendations and agreed to implement them.

OVERSIGHT OF HIGHWAY PROGRAMS

Mr. WOLF. So I guess the point is there have been some problems in the airport grants. What about highways? Mr. Carlson said yesterday there would be no problem of getting this money out. Did you find any problems of waste, fraud, and abuse in the highway program?

Ms. SCHIAVO. Again, our history with highways has been different from both our history with the FAA and the history with FTA. Our history with the Federal Highway Administration has not shown as many problems with grants oversight. In highways, there is the additional problem that a lot of the oversight, a lot of the auditing, and a lot of the checking of the compliance with the terms of the highway grants has to be done by the States. The FHWA folks are forced to rely on the States for a lot of this by virtue of the way the law is set up.

Our problems with highways are reflected in the fact that we have targeted bid rigging as one of our national investigative priorities. We have had and do have ongoing criminal investigations concerning bid rigging, but that is different from a problem with oversight.

Mr. WOLF. Is that one place or are there a number of them?

Ms. SCHIAVO. There are a number ongoing across the country and it is one of our target areas.

IMPACT OF STIMULUS PACKAGE ON IG OFFICE

Mr. WOLF. When I asked the question yesterday of the intermodal administrators, they said there would be no problem with regard to the highway program. Your testimony runs counter to that.

I guess the last question I wanted to make is, does the additional increases contained in the stimulus package for transportation programs, create any problem for the IG office; that is to say, does the additional infusion of Federal dollars in the middle of a fiscal year with a use or lose provision cause a problem for you as an IG?

Ms. SCHIAVO. Well, actually, it presents us with problems that we face every day. I mean, this is our job. We look for problems. We look for things to audit. I target areas in which to deploy our investigative resources. And yes, I have to say that when the stimulus package came out we sat down and asked ourselves: Can we meet this challenge? Will we be able to get the work done, do these audits, and handle the investigations. The fact is that every year we complete hundreds of audits. Last year, we issued 1956 audit reports. We have 590 criminal cases. We do an awful lot of this. You are always going to have problems when you put out large sums of money.

We have reported on issues like this year after year after year. But, you especially have problems where you skirt the requirements, where you don't do the required testing and auditing, where you don't hold your recipients' feet to the fire.

For example, we have recommended in many of our audits, and not just in transit or airports or highways, that the local share in many cases be increased to expand their own interest in the program and to increase their oversight because it is their own money invested as well as federal money. But that is a problem not specific to this stimulus package.

Finding these problems is something we have been doing all along and I cannot comment specifically concerning this package because, to date, I do not have any information that any of the safeguards or the requirements for letting out the contracts or for awarding the grants, et cetera, will be bypassed. I just do not know about that yet.

Mr. Wolf. The last question, does the use it or lose it provisions in the package create more of a problem or less of a problem for potential waste, fraud, and abuse?

Ms. Schiavo. Well, that would be speculation on my part, other than some work we have done concerning trying to get the monies back in a timely fashion when those deadlines in other projects have not been met.

We have reported problems in our audits that recipients have not timely returned the funds when they have not been used. There has been a problem with getting the funds used on time in projects in the past.

Certainly, it is a concern if you are racing the clock, if people have an incentive not to complete all the requirements, safeguards and tests. For example, in the airport pavement, if somebody is under the gun and they cannot do the tests, in the past we have found a problem. And we did report it. So I can only go on past history and what we have found in the past.

HIGH RISK AREAS IN NEED OF OVERSIGHT

Mr. Wolf. Ms. Schiavo, can you tell me what the Inspector General has identified as high risk areas at the department? Is the management of grants of the Federal Transit Administration one of the areas?

[The information follows:]

FTA's grants management is one of the high risk areas we have repeatedly identified. FTA's grants management has been reported as a material weakness to the President under the Federal Managers' Financial Integrity Act since 1989. Pursuant to a request by the Committee on Government Operations, in February 1992, I also identified FTA grants management as one of the 10 most important management problems in DOT. The General Accounting Office, in January testimony, cited FTA grants management in its Report on 17 High-Risk Areas.

The other high risk areas we identified were: suspected unapproved aircraft parts, motor fuel tax evasion, major acquisition in FAA and USCG, logistics management in FAA and USCG, safety and inspection oversight responsibilities within the DOT, environmental compliance in FAA and USCG, management and control of government property, computer security in DOT, and financial management systems in DOT.

Secretary Peña is aware of FTA's oversight problems and has assured me that he would work with us to ensure that they are corrected.

MONITORING FEDERAL FUNDS

Mr. Wolf. A GAO report states that "the current focus on expanded Federal infrastructure investment, including mass transit, together with a potentially rapid infusion of funds, increases the need for making wise investments and carefully monitoring Federal funding." Do the DOT IG's findings comport with GAO's findings?

[The information follows:]

Yes. In the November 1992 report to which you refer, the General Accounting Office cited 109 Office of Inspector General audits. When spending billions of Federal dollars careful monitoring is essential. If spending is made rapidly, there is a risk that the established controls might be bypassed and closer scrutiny is needed.

FTA GRANTS OVERSIGHT

Mr. WOLF. GAO finds that FTA's ineffective oversight of transit grants has enabled grant recipients to misuse millions of dollars in Federal funds. Based on your findings, is this an accurate assessment? Can you elaborate on your findings in this regard?

[The information follows:]

We have done numerous audits of FTA programs and expenditures. We agree with GAO that millions of dollars of Federal funds could have been used more effectively. In fact, many of the examples cited by GAO were based on our audit.

In 109 reports on FTA grantees issued between January 1988 and May 1992, the OIG disclosed noncompliance and deficiencies in grantees' management systems that resulted in the waste, misuse, and mismanagement of about $390 million. One example of the type of grantee noncompliance reported by the OIG is that 31 grantees overcharged FTA $85.6 million to purchase more buses and bus parts than FTA's policies allow. Grantees may use Federal funds to purchase only enough buses to cover service during peak periods of operation, plus 20 percent more buses as spares. After examining 48 grantees, the OIG found only 17 in compliance.

Mr. WOLF. Can you give us specific examples, for example Pittsburgh Port Authority and San Francisco? Are the problems with mismanagement with FTA's grants that prevalent?

[The information follows:]

Between 1979 and 1989 Pittsburgh's Port Authority Transit (PAT) was awarded five FTA grants totaling $19.3 million for 80 percent of the cost to rehabilitate 45 trolley cars with PAT's own work force. After beginning work, PAT discovered that rehabilitating the cars would be more technically difficult and extensive than originally envisioned. Further, during the same period, PAT's management's attention was focused on constructing a new light rail subway system. Consequently, progress on the trolley rehabilitation project was both costly and slow. PAT initially estimated that 45 cars would be completed by the end of 1984, but it finally terminated the project in 1989 after spending $8.4 million to rehabilitate or overhaul only 16 cars. FTA allowed PAT to rebudget the remaining $10.9 million for other projects.

We found that the San Francisco Municipal Railway charged $4.1 million for ineligible design and consultant costs, charged FTA twice for some costs, and did not obtain FTA's approval for overtime and other excessive labor charges. We noted that the grantee's accounting procedures were not adequate to prevent unjustified design costs, unallowable consultant costs, and duplicate charges. The grantee reimbursed FTA about $1.2 million, and FTA allowed the grantee to take alternative corrective actions for $.6 million. We also reported that effective controls also allowed the Bay Area Rapid Transit District to bill FTA $4.3 million for ineligible labor, contract, and property-related costs.

For years, FTA managers stated their role was to distribute Federal funds and that they did not have a strong responsibility to oversee that the funds were used effectively. This allowed grantees to use Federal assets inappropriately. Examples of the inefficiencies and discrepancies reported between January 1988 and May 1992 are:

A. Equipment Not Used for Intended Purposes—$104 million.

This category includes costs to replace buses that were used solely to transport students, in direct violation of FTA regulations; other services improperly closed to the general public; and property that was not developed as intended.

B. Excess Equipment—$85.6 million.

This category includes the replacement value of excessive buses bought with FTA funds in six regions. FTA guidelines allow transit authorities to use Federal funds to purchase as many buses as needed to provide service during the peak period of operation, plus 20 percent more buses to serve as spares. This amount also includes funds used to purchase excess bus parts.

C. Prematurely Retired and Improperly Maintained Equipment—$58.9 million.

This category includes the cost of buses that were retired before the end of FTA's prescribed 12-year service life because their mechanical condition was deteriorated, they could not be accounted for, or they had been bought and not used.

Other problems identified included ineligible costs of $50 million, improper expenditures of $22.9 million, unexpended program funds not deobligated or obligated prior to need of $21.5 million, unsupported costs of $19.7 million, and other problems amounting to several more million dollars.

Mr. **Wolf**. Do transit grantees perform projects in an economical, efficient manner and in accordance with applicable laws, regulations, FTA directives and guidelines? Why or why not?

[The information follows:]

FTA method of operation has been to issue guidelines that are flexible. When grantees stray from guidelines, FTA has taken the position that FTA is without enforcement authority because guidelines were not directives or regulations, only guidance. FTA has repeatedly responded to our reports that FTA lacks the authority to enforce the guidelines they issue. As a result, FTA sometimes approves grants that are inconsistent with its guidelines.

Another reason why some projects have been uneconomical or inefficient is the funding. The Federal Government often pays 90 percent of the costs of the work which eliminates the incentive to be frugal and efficient. In some reports, we recommended a higher match by grantees.

OVERSIGHT OF BUS GRANTS

Mr. **Wolf**. This Committee is considering an additional $736 million for transit projects; $270 million of that amount is only for bus and bus-related projects. I understand that the IG audited the internal controls over bus assistance grants. Can you elaborate on your findings?

[The information follows:]

The OIG audits showed that FTA's internal controls over bus capital assistance grants were not adequate to (1) safeguard Federal funds from being uneconomically used to acquire unneeded transit buses, (2) ensure that Federally funded buses were used only to provide conforming mass transit service, and (3) ensure that federally funded buses remained in revenue service for the minimum useful service life prescribed by FTA. The OIG further concluded that FTA needed to either obtain a legislative change to delete the provision in 49 CFR, Part 605 which permits the use of Federally funded buses for school tripper (service provided using vehicle destination markings and routings which excluded general public access or ridership) or issue regulations limiting FTA capital assistance for such service to the cost of more economical non-standard mass transit buses.

Mr. **Wolf**. Did the IG find with respect to buses that Federal funds were used to acquire unneeded transit buses? What additional findings did you reach? Are scarce Federal research dollars being spent in vain?

[The information follows:]

Yes. OIG audits of 51 grantees disclosed that: (1) 728 of the 2,877 new buses funded by FTA exceeded FTA's spare bus allowance policy, (2) 594 federally funded mass transit buses were being used to provide school tripper service, (3) 339 of these 594 federally funded buses used for school service were not being operated in conformance with applicable regulations, and (4) 225 buses had been prematurely removed from revenue service without grantees reimbursing FTA for the unused portion of each bus's required minimum service life. These conditions occurred because (1) FTA's criteria for determining the number of buses eligible for capital assistance is not clearly defined and thus, cannot be objectively and consistently enforced and (2) FTA's triennial reviews and other program monitoring activities have not verified grantee peak vehicle requirements and compliance with FTA regulations covering the use and retirement of federally funded buses. As a result, (1) 31 grantees used $92 million of FTA funds to acquire 728 excess buses, (2) 16 grantees used standard size mass transit buses with a replacement cost of $74.3 million to provide school service that did not meet the needs of the general public, (3) 7 grantees used federally funded buses with a replacement cost of $42.4 million to operate nonconforming school tripper service, and (4) 9 grantees failed to reimburse FTA $4.2 million for the unutilized service life of 225 federally funded buses prematurely removed from revenue service.

FTA TRANSIT GRANTS MANAGEMENT

Mr. Wolf. What recommendations did the IG make to try to correct the mismanagement and the inefficiencies of the FTA transit grants management? Are those recommendations now in place to stop such abuses?

[The information follows:]

We recommend that the Federal Transit Administration propose legislation based on the national transportation plan which would motivate transit authorities to take advantage of greater operating flexibilities and reduce Federal oversight by significantly increasing their share of funding. If this was not possible, we wanted FTA to revise Circular 9030.1A program guidance for computing peak vehicle requirement (PVR) bus needs used to support Section 9 grant applications to more explicitly:

(1) Define the duration of the maximum service period used for determining PVR;

(2) Define the methodology for computing PVR;

(3) Define viable revenue service runs that may be used for determining PVR;

(4) Provide guidance addressing proper grantee actions whenever changed grantee operating conditions affect PVR; and

(5) Provide guidance addressing proper grantee actions whenever a transit system uses its contingency fleet to provide regular scheduled revenue service.

We also recommended that FTA:

a. Restructure and broaden the scope of Section 9 program monitoring to obtain:

(1) Independent verifications of key PVR data provided by grantees to justify capital bus funding;

(2) Timely identification of nonconforming school bus tripper service;

(3) Better detection of changes in grantee revenue service levels which result in reduced PVR and reduced new bus needs; and

(4) Timely identification of buses prematurely removed from revenue services.

b. Revise FTA's bus replacement funding policy to deny funding for the replacement of buses used in peak vehicle requirement school tripper service.

c. Until the policy change has been implemented, limit FTA funding for replacement of school tripper service buses to 80 percent of the cost of comparable conventional nontransit buses that comply with Federal school bus standards.

At this time, the significant corrective actions we recommended are not in place.

Mr. Wolf. Do I understand properly that the FTA lacks the statutory authority to require transit systems to use Federal funds economically and efficiently?

[The information follows:]

In meetings before and after issuing our report on peak vehicle requirements, FTA officials stated that the program was implemented in accordance with a statutory process which established explicit procedures and grantee responsibilities, and provides FTA intervention checkpoints if mismanagement or errors are discovered. FTA contended many of the OIG recommendations concerning provisions for "safeguards against fraud, waste, and abuse," would redirect FTA's role from a grant-making agency to a regulatory agency without sufficient legislative foundation. FTA officials were of the opinion the OIG has not taken into consideration the legislative history of the FTA program or the intent of Congress and the Administration in creating and managing the FTA program. We advised this Subcommittee of our different views and asked for help in clarifying FTA's oversight role. Subsequently, FTA did an internal evaluation and concluded that it had to strengthen its oversight of the funds provided to grantees.

Mr. Wolf. What can you tell us about your findings with respect to FTA's ability to make timely grants?

[The information follows:]

We reviewed FTA's process for awarding Section 3 grants and were critical of the documentation supporting grant decisions. In the past, we were very critical of FTA's deobligation of funds on completed grants but FTA made significant improvements with its implementation of a new Grants Management Information System. We have not reviewed the timeliness of FTA's grants.

PROBLEMS IDENTIFIED IN HIGHWAY PROGRAMS

Mr. Wolf. What inadequacies has the IG found with respect to the highway program?

[The information follows:]

The highway program is susceptible to collusive bid rigging and is one of the 10 high risk areas we identified and discussed above. Other problems we reported related to the following: acceptance of materials that do not meet specification without adequate explanation by an engineer or reduction in cost, inadequate material specifications, and the lack of criteria for determining whether asphalt or concrete should be used.

Mr. Wolf. What can you tell the subcommittee about waste, fraud and abuse in the highway program? Are highway funds mismanaged? Does the country truly get the bang for its buck?

[The information follows:]

We have several ongoing investigations involving bid rigging and substandard parts and materials. However, we have not found extensive mis-management of highway funds. In some instances, poor work quality and improper procedures resulted in excess costs. Where we identified these problems we recommended that FHWA either not pay them or obtain reimbursement from the states.

On the positive side of the ledger, because of FHWA's encouragement, the largest current highway project, Central Artery/Harbor Tunnel in Boston ($6 billion federal share) has implemented an effective and successful Value Engineering (VE) Program. The VE Program has already invested over $400 million in revenues.

AIRPORT CONSTRUCTION GRANTS

Mr. Wolf. What general observations can the IG make with respect to the AIP program, or general airport construction? Is airport construction generally performed in accordance with standards set by the Secretary, including standards for payments?

[The information follows:]

The OIG found that FAA did not assure that sponsor construction contracts contained all required FAA standards or that the construction was performed in accordance with contract specifications. According to the test reports for the construction projects reviewed with costs totaling $44.5 million, 85 percent of the accepted pavement was either insufficiently tested or did not conform to specified tolerances. For $429.4 million of paving costs included in the audit period, projection of the sample results provides 90-percent confidence that $140.1 million (plus or minus $43 million) was out of tolerance with one or more required FAA quality control or acceptance tests, and $357.1 million (plus or minus $73.6 million) was insufficiently tested. (Because the same material could be out of tolerance for one type of test and insufficiently tested for another, the projections exceed 100 percent.) According to research studies, out-of-tolerance asphalt mixtures or PCC thickness can reduce pavement service life by 40 percent or more. The OIG therefore recommended that FAA revise its policies, specifications, and directives to preclude noncompliance with testing requirements by (i) linking Federal-aid participation directly to performance-related acceptance tests, (ii) improving grant review, monitoring, and inspection procedures to preclude insufficiently tested and out-of-tolerance material, and (iii) initiating additional technical training for FAA and sponsor grant monitoring personnel.

Mr. Wolf. Is it true that the FAA and IG reported that 85 percent of accepted payments was either insufficiently tested or did not perform to specified tolerance levels?

[The information follows:]

Yes. According to the test reports for construction projects reviewed with costs totaling $44.5 million, 85 percent of the accepted pavement was either insufficiently tested or did not conform to specified tolerances.

Mr. WOLF. Are we spending money on rehabilitation of airports and runways of unacceptable construction?

[The information follows:]

Prior to our audit of material conformance, FAA was spending money on unacceptable construction. However since the audit, FAA officials have made significant improvements to the administration's internal controls structure in a short timeframe. New grant provisions and special conditions should improve sponsor internal controls and provide FAA officials with greater assurance of sponsor compliance.

IMPACT OF STIMULUS PACKAGE ON OVERSIGHT

Mr. WOLF. Do the additional increases contained in the stimulus package for any of the transportation programs raise any eyebrows at the IG office; that is to say, does the additional infusion of Federal dollars in the middle of the fiscal year with use or lose provisions alarm the IG? Is it your experience or observation that use or lose provisions would provide a further incentive to misuse, abuse and waste Federal funds?

[The information follows:]

If the Federal Government is funding 90 percent of a project there is little, or certainly greatly reduced, incentive for grantees to be efficient. When you couple this risk with a "use or lose" requirement there is additional risk because of the race against the clock. Such conditions increase the need for adherence to established internal control procedures.

Mr. WOLF. Is there any reason to believe that the problems identified today by your testimony are easily and readily rectified?

[The information follows:]

Many of the problems I talked about today have been around for quite some time. They are not easily corrected. The Department has made and continues to make improvements in its operations. Secretary Peña has assured me he is committed to correcting these, and other, problems.

CLOSING REMARKS

Mr. WOLF. Thank you very much.

Thank you, Mr. Chairman.

Mr. CARR. Mr. DeLay?

Mr. DELAY. I don't have any questions. I think Mr. Wolf has covered it very well, Mr. Chairman.

I just want to say, to correct you a little bit, and it has—and you are correct in our part of the package, as far as local match is concerned, but in other parts of the package, with my other subcommittees, they are waiving local matches. So it could very well have a problem. We don't waive local matches in this part of our package, do we?

Thank you. Thank you, Mr. Chairman.

Mr. CARR. Mr. Foglietta?

Mr. FOGLIETTA. No questions.

Mr. CARR. Thank you very much.

If it is all right with the Ranking Minority Member, we will call the remaining witnesses to the table as a panel.

Mr. WOLF. Sure.

WEDNESDAY, FEBRUARY 24, 1993.

PUBLIC WITNESSES

WITNESSES

CHARLES HULTON, UNIVERSITY OF MARYLAND
BRUCE BARTLETT, CATO INSTITUTE
DAN MITCHELL, SENIOR FELLOW AT THE HERITAGE FOUNDATION

Mr. CARR. We will call as a panel the following witnesses requested by the Minority: Bruce Bartlett of the CATO Institute; Dr. Charles Hulton from the University of Maryland; and Dan Mitchell, Senior Fellow at the Heritage Foundation.

Welcome, all of you to the Committee and invite you to present whatever opening remarks you might have and then we will proceed to questions.

Dr. Hulton, you may start.

STATEMENT OF DR. HULTON

Mr. HULTON. Thank you very much, Mr. Carr. I appreciate this opportunity to appear before this Subcommittee again.

Since my last appearance on February 4, the Clinton administration has presented its budget proposals. Since I have already presented my general views about the infrastructure and its relation to economic growth, I would like to restrict my opening statement to a brief summary of my main points and to leave the bulk of our time for your questions.

First, I believe that an adequate stock of infrastructure capital is of critical importance for sustained economic growth in this country, but I do not think there was a massive uninvestment in infrastructure capital during the 1970s and 1980s. Nor do I believe the lower rate of economic growth during this period was due to a slow-down in infrastructure spending. And, emphatically, the higher rate of growth in countries like Japan relative to the U.S. has little to do with infrastructure investment in the U.S. or elsewhere.

Secondly, I do not agree with the view that additional infrastructure spending at this time will dramatically increase the rates of U.S. economic performance. In other words, I don't think the benefit-cost ratios on infrastructure projects greatly exceed one, as the view that infrastructure matters a lot would seem to imply. If anything, benefit-cost ratios on many infrastructure projects are undoubtedly less than one. This is the CBO view and I think it should be taken very seriously.

This leads to the third point. Rather than rely on increased spending as a way of obtaining more infrastructure services, much more emphasis should be placed, in my view, on using the existing stock of infrastructure more efficiently. This means more emphasis on infrastructure management and planning and on giving higher priority to traffic congestion and pavement deterioration problems as they arise.

It also means more use of pricing strategies that ration access to facilities where they cannot be expanded, and more accountability for problems that are not resolved. In this regard, Congress might consider requiring follow-up benefit-cost studies of major projects to see if they actually delivered the benefits that were promised, at the promised costs.

Finally, the use of public works projects as a mechanism for short-term job creation is problematic at this point in the economic recovery. Even if job creation is lagging behind its usual growth during recoveries, it is not at all clear infrastructure spending will provide much short-term job stimulus. One problem is timing: Are there "ready to go" projects that are "on the shelf" really all that ready to go? And are those that are "ready to go" projects really worthwhile by long-term criteria? Once there is pressure to spend money in a short period of time, there is a risk that many projects will not provide maximum job creation and will not have much long-term merit. The danger is heightened by the fact some of our unemployment here in the country is structural and a short-term employment program may well turn into a long-term program to provide jobs in economically depressed areas.

I would like to comment briefly, in conclusion, on the Clinton administration proposals. From what I have seen, the $4 billion in increased DOT spending seems quite modest when compared to price tags like $200 billion per year for all types of new public investment, like human resources, or even compared to the $50 billion per year for new spending in "traditional" infrastructure categories like roads, bridges, mass transit and airports.

The $4 billion supplemental 1993 spending represents a 20 percent jump over current 1993 spending levels, from the estimates I have seen, but it is a far cry from the massive new commitments to infrastructure spending that some have called for, and it represents only a tiny increase in the $600 billion stock of roads that we now have. The supplemental DOT spending also appears to be accommodated largely within existing authorization levels, leading to the question of whether the 1993 increase represents a net gain in total spending or is, instead, an acceleration of planned spending in future years.

To the extent it is the latter, it is hard to see the new proposal as a long-term stimulus program. This accords well with my view that spending levels beyond those provided by ISTEA are not needed at this time, and I will certainly not complain about this. And while I would rather see the $4 billion spent on deficit reduction, the amount of spending is sufficiently small that it is hard to believe the supplemental spending will have a large short-term impact, either.

However, a major question remains about the spending levels in fiscal year 1994 or beyond. If the infrastructure spending is increased dramatically in these years, my assessment of this plan might be quite different.

Thank you.

Mr. CARR. Mr. Bartlett?

STATEMENT OF MR. BARTLETT

Mr. BARTLETT. Thank you, Mr. Chairman, it is a pleasure to be here this morning. I will confine my remarks mainly to the macroeconomic effects of the stimulus program.

This is an area I have had an interest in for some years, which really started in 1980 when I attended a hearing before Congress' Joint Economic Committee which was chaired by Senator Lloyd Bentsen on the subject of public works as a countercyclical tool. I think the lesson of this hearing is still relevant today.

The purpose of that hearing was to examine the government's efforts to moderate recessions by adopting stimulus programs. At this hearing, President Carter's Office of Management and Budget presented a study of past stimulus programs. The major findings of this study were as follows: First, it is impossible to implement such programs in a timely manner. Recessions are usually over before they can take effect.

Second, even if it were possible to get a program enacted in time, the time it takes to build most public works projects is longer than most recessions, thus causing some stimulus to spill over into the economic expansion.

Third, public works programs have a minimal effect on unemployment due to the low labor intensity of most public works projects and a mismatch between the skills of the unemployed and those needed for public works projects.

Fourth, the duration of employment for public works jobs is too short to provide meaningful relief for the hard-core unemployed.

And last, Federal public works programs often displace State and local programs, meaning that Federal jobs may simply substitute for State and local jobs. As a consequence, net job creation is quite low, leading to a very high cost per job created—in the range of 70,000 per job, with no substitution, to 198,000 jobs with high substitution. And keep in mind these are 1980 dollars. They would certainly be much higher today.

Senator Bentsen thought the lesson of this hearing was significant. So much so the Joint Economic Committee issued a report in August 1980—signed by all members of the committee, Republican and Democrat alike—the main theme of which was that stimulus programs are counterproductive. To quote from that report:

> A review of the business cycles in the last 35 years shows that government attempts to shorten the duration or reduce the intensity of recessions through countercyclical programs initiated during specific downturns have been ineffective. In a number of instances, the effects of such efforts have been quite different from what was intended. Programs designed to reverse downward economic trends during recessions have frequently accelerated upward trends during the periods of recovery, sometimes with unfortunate results.

Because the stimulus was ill-timed, often coming during cyclical upturns, the result was an exacerbation of inflation, rather than relief for the unemployed. Thus, Senator Bentsen urged instead of attempting futilely to mitigate the business cycle, Congress and the President should work to adopt policies which will encourage long-term, noninflationary growth. Such a program, he suggested, would be a tax cut aimed at increasing productivity.

Nevertheless, President Clinton seems determined to press ahead with a stimulus program despite the fact the recession ended two years ago, in March 1991, according to the National Bureau of Economic Research. Moreover, recent economic data shows no evidence of weakness. Fourth quarter real GDP came in at 3.8 percent on top of a 3.4 percent third quarter, and the latest Index of Economic Indicators showed the largest increase in almost 10 years.

Even if such a program is enacted quickly, the impact will not be felt for many months to come. In fact, a New York Times story on February 1 documented that the big transportation bill signed by President Bush in November 1991 has yet to produce any jobs whatsoever. Thus, even if the economy were still showing signs of weakness, no program enacted at this time would have any effect at all.

Many in Congress and the media seem inclined to ignore the absurdity of enacting an anti-recessionary program two years after the end of the recession on the grounds that public works generally is a good thing and that a little insurance to keep the expansion going won't hurt. Unfortunately, the history of past stimulus programs shows they tend to take on a life of their own, which is why they are always enacted regardless of whether there is still a recession to counteract.

I included in my testimony a list of past economic stimulus programs, and it shows that every single one of them was enacted well after the date that the recession ended, and I have also included a copy of the OMB report that I quoted from for the record.

Thank you.

Mr. CARR. Thank you very much. We appreciate your being here.

[The prepared statement of Mr. Bartlett follows:]

STATEMENT OF BRUCE BARTLETT
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES
FEBRUARY 24, 1993

Mr. Chairman, it is a pleasure to be here this morning to discuss the economic effects of President Clinton's proposed infrastructure investment program. I will confine my remarks to the efficacy of such a program as a countercyclical measure.

My interest in this subject grew out of a June 17, 1980, hearing before the Congress's Joint Economic Committee, chaired by Senator (now Treasury Secretary) Lloyd Bentsen, on the subject of "Public Works as a Countercyclical Tool." The lesson of this hearing is still relevant today.

The purpose of the hearing was to examine the government's efforts to moderate recessions by adopting "stimulus" programs. At this hearing, President Carter's Office of Management and Budget presented a study of past stimulus programs. The major findings of this study are as follows:

- It is impossible to implement such programs in a timely manner; recessions are usually over before they can take effect.
- Even if it were possible to get a program enacted in time, the time it takes to build most public works projects is longer than most recessions, thus causing some stimulus to spill-over into the economic expansion.
- Public works programs have a minimal effect on unemployment due to the low labor intensity of most public works projects and a mismatch between the skills of the unemployed and those needed for public works projects.
- The duration of employment for public works jobs is too short to provide meaningful relief for the hard-core unemployed.
- Federal public works programs often displace state and local programs, meaning that federal jobs may simply substitute for state and local jobs. As a consequence, net job creation is quite low, leading to a very high cost per job created--in the range of $70,000 (with no substitution) to $198,000 (with high substitution).

Senator Bentsen thought that the lesson of this hearing was significant, so much so that the Joint Economic Committee issued a report in August, 1980--signed by all members of the Committee, Republican and Democrat alike--the main theme of which was that stimulus programs are counterproductive. To quote from that report:

> "A review of the business cycles in the past 35 years shows that government attempts to shorten the duration or reduce the intensity of recessions through countercyclical programs initiated during specific downturns have been ineffective. In a number of instances, the effects of such efforts have been quite different from what was intended. Programs designed to reverse downward economic trends during recessions have frequently accelerated upward trends during the periods of recovery, sometimes with unfortunate results."

Because the stimulus was ill-timed, often coming during cyclical upturns, the result was exacerbation of inflation, rather than relief for the unemployed. Thus Senator Bentsen urged that instead of attempting, futilely, to mitigate the business cycle, Congress and the President work to adopt policies which will encourage long-term, non-inflationary growth. Such a program, he suggested, would be a tax cut aimed at increasing productivity.

Nevertheless, President Clinton seems determined to press ahead with a stimulus program, despite the fact that the recession ended two years ago in March, 1991, according to the National Bureau of Economic Research. Moreover, recent economic data show no evidence of weakness whatsoever--fourth quarter real GDP came in at 3.8%, on top of a 3.4% third quarter, and the latest Index of Leading Indicators just showed its largest increase in almost 10 years.

Even if such a program is enacted quickly, the impact will not be felt for many months to come. In fact, a New York Times story on February 1 documented that the big transportation bill signed by President Bush in November, 1991, has yet to produce any jobs whatsoever. Thus even if the economy were still showing signs of weakness, no program enacted at this time would have any effect at all.

Many in Congress and the media seem inclined to ignore the absurdity of enacting an anti-recessionary program 2 years after the end of the recession, on the grounds that public works are generally a good thing and because at little insurance to keep the expansion going won't hurt.

Unfortunately, the history of past stimulus programs shows that they tend to take on a life of their own, which is why they are always enacted regardless of whether there is still a recession to counteract (see table). At least one member of President Clinton's cabinet knows better.

DATES OF RECESSIONS AND ANTI-RECESSION PROGRAMS

Beginning	End	Anti-Recession Legislation
November, 1948	October, 1949	October, 1949[1]
August, 1957	April, 1958	April-July, 1958[2]
April, 1960	February, 1961	March-June, 1961;[3] September, 1962[4]
December, 1969	November, 1970	March, 1971[5]
November, 1973	March, 1975	March, 1975;[6] July, 1976;[7] May, 1977[8]
July, 1981	November, 1982	January-March, 1983[9]
July, 1990	March, 1991	February, 1993?

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[1] Advance Planning for Public Works Act, P.L. 81-352 (October 13, 1949).

[2] Federal Aid Highway Act of 1958, P.L. 85-381 (April 16, 1958); Temporary Unemployment Compensation Act of 1958, P.L. 85-441 (June 4, 1958); River and Harbor Act of 1958, Flood Control Act of 1958, and Water Supply Act of 1958, P.L. 85-500 (July 3, 1958).

[3] Temporary Extended Unemployment Compensation Act of 1961, P.L. 87-6 (March 24, 1961); Social Security Amendments of 1961, P.L. 87-64 (June 30, 1961).

[4] Public Works Acceleration Act, P.L. 87-658 (September 14, 1962).

[5] Public Works and Economic Development Act Amendments and Appalachian Regional Development Act Amendments of 1971, P.L. 92-65 (August 5, 1971).

[6] Tax Reduction Act of 1975, P.L. 94-12 (March 29, 1975).

[7] Public Works Employment Act of 1976, P.L. 94-369 (July 22, 1976).

[8] Local Public Works Capital Development and Investment Act of 1976, P.L. 95-28 (May 13, 1977).

[9] Surface Transportation Assistance Act of 1982, P.L. 97-424 (January 6, 1983); Emergency Jobs Appropriations Act of 1983, P.L. 98-8 (March 24, 1983).

SUPPLEMENTARY MATERIAL

1. Article from the Wall Street Journal (December 2, 1992): "If It Ain't Broke, Don't Fix It," by Bruce Bartlett.

2. Article from the New York Times (February 1, 1993): "Jobs Promised in '91 Bill Have Yet to Be Realized," by Michael deCourcy Hinds.

3. Study by the Office of Management and Budget: "Public Works As Countercyclical Assistance," from a June 17, 1980, hearing before the Joint Economic Committee.

THE WALL STREET JOURNAL WEDNESDAY, DECEMBER 2, 1992

If It Ain't Broke, Don't Fix It

By Bruce Bartlett

The U.S. has emerged from its ninth postwar recession – in fact, new positive numbers on the economy have already excited the press so much that it has started referring to "Clinton Prosperity." Nevertheless, pressure for the federal government to enact an anti-recession program has not abated, and President-elect Clinton has yet to abandon his stimulus plans. This follows the pattern of postwar countercyclical programs: All were enacted well after the end of the recession. They exacerbated inflation, raised interest rates and made the next recession worse. (The recession dates given are from the National Bureau of Economic Research. Figures in parentheses are in 1992 dollars.)

November 1948-October 1949. Although the recession began in November 1948, it was not until July 11, 1949, that President Truman put forward an 11-point program to combat the recession. Only one proposal was enacted by Congress – the Advance Planning for Public Works Act, signed on Oct. 13, 1949. This legislation authorized $100 million ($2.2 billion) in interest-free loans over two years for local governments to plan public works projects.

Eisenhower and Kennedy

August 1957-April 1958. President Eisenhower opposed any countercyclical policy. However, Democrats in Congress proposed several actions on their own, many of which were then signed by the president. First was an emergency highway bill, signed on April 16, 1958, that increased grants to states by $600 million ($7.5 billion) and suspended for two years the pay-as-you-go provisions of the Highway Trust Fund. Second was a bill, signed on June 4, advancing federal funds to states agreeing to extend unemployment compensation. Third was a rivers and harbors public works act, signed July 3, that authorized $750 million ($9.3 billion) for new projects and raised limits on earlier projects by $870 million ($10.8 billion).

April 1960-February 1961. On taking office in January 1961, President Kennedy moved quickly to put together an anti-recession program. On Feb. 2, he sent a special message to Congress asking for an extension of unemployment compensation, increased Social Security payments, and aid to distressed areas, among other things. The unemployment bill was signed on March 24, providing some $800 million ($9.3 billion) in benefits. The Area Redevelopment Act became law in May and authorized almost $400 million ($4.7 billion) in aid for depressed areas. The Social Security bill increased benefits by about $800 million ($9.3 billion) and was enacted in June.

Additional action was taken against the lingering effects of the recession in 1962, with the Public Works Acceleration Act. This bill, signed into law on Sept. 14, was a companion to the Area Redevelopment Act, authorizing $900 million ($9.4 billion) for public works in designated areas. The legislation was designed to create 55,300 man-years of employment. But a General Accounting Office study found that fewer than half that number were created. Moreover, the peak number of jobs created came in June 1964, 37 months after the recession bottomed out.

> *All postwar countercyclical programs were enacted after the recessions' end. They exacerbated inflation, raised interest rates and made the next recession worse.*

December 1969-November 1970. The only major legislation addressing this recession was passed more than a year after it ended. The Public Works Impact Program, signed Aug. 5, 1971, targeted public works spending to designated areas with high unemployment. About $48 million ($238 million) was expended in fiscal 1972, $43 million ($191 million) in 1973 and $38 million ($156 million) in 1974. It was predicted that the program would create 62,000 man-months of employment in the first two years, with 75% of jobs going to the previously unemployed. A Commerce Department study, however, found that only 39,000 man-months of employment were created and only 22% of jobs went to the unemployed. Moreover, the average job in this program lasted only 4.1 weeks and 60% of participants worked two weeks or less.

November 1973-March 1975. The first action taken was a tax rebate plan enacted in March 1975. This $22.8 billion ($86 billion) bill gave taxpayers a 10% rebate on their 1974 tax payments up to $200, payable in the second quarter of 1975. It was phased out as incomes rose. The bill also extended unemployment benefits, increased the investment tax credit from 7% to 10% and made other tax changes. The purpose was to pump up demand by putting dollars into people's pockets. But subsequent analysis indicates that most of the money was saved initially and thus had a negligible effect on spending.

In 1976, Congress believed that the aftereffects of the recession justified further anti-recessionary action. Over President Ford's veto, it enacted the Anti-Recession Fiscal Assistance Program (ARFA). Also enacted was the Public Works Employment Act of 1976, signed on July 22, which established the Local Public Works Program (LPW). ARFA increased revenue sharing to the states by $1.25 billion ($4.2 billion). The amount of aid was dependent on the local unemployment rate. LPW increased funding to state and local governments for public works projects by $2 billion ($6.8 billion).

As late as 1977, Congress was still enacting legislation to deal with the aftermath of the recession, in the form of the Local Public Works Capital Development and Investment Act of 1976, which was enacted on May 13, 1977, early in the Carter Administration. This legislation added $4 billion ($12.2 billion) to the LPW program. The ARFA program was also extended a year and its funding increased by $1.75 billion ($5.3 billion).

Subsequent analysis shows that these programs utterly failed. A Treasury Department study of ARFA found that because the funds were not disbursed until well after the end of the recession, it failed to provide assistance when it was most needed and probably contributed to inflationary pressures during the expansion.

It was also found that rather than spend federal money immediately, state and local governments tended to, in effect, save it. Thus state and local government budget surpluses increased during this period, thereby mitigating the stimulative effect of the federal programs.

An Office of Management and Budget (OMB) study of the public works programs found they did little to help the unemployed because of the relatively low labor intensity of public works projects and the high skill level required. Moreover, because of substitution effects (replacing state and locally funded jobs with federally funded jobs) the net employment effect was extremely low. OMB found that the gross federal cost per job created was between $70,000 and $198,000. The average job lasted just 3.5 weeks and only 12% of jobs went to the unemployed.

July 1981-November 1982. Despite its general aversion to such programs, even the Reagan administration adopted two programs specifically designed to be countercyclical. First was the Surface Transportation Assistance Act of 1982, signed on

Jan. 6, 1983, which raised the gasoline tax by five cents and increased expenditures for highways and mass transit by $33.5 billion ($59 billion) over five years. Second was the Emergency Jobs Appropriations Act of 1983, signed March 24, which increased spending by $9 billion ($15.8 billion) for 77 different programs.

Only 2.5% of the funds under the surface transportation bill were expended in fiscal 1983 and net additional funding to existing programs amounted to just $606 million ($1.1 billion). But the gasoline tax increased federal revenues by $1.7 billion ($3 billion) in fiscal 1983. Thus, on balance, the program was contractionary rather than stimulative in the first year. Moreover, state and local governments may have pulled back on public works spending in anticipation of new federal funds, as shown by the sharp increase in state and local budget surpluses beginning in 1983's second quarter. It is doubtful that any net jobs were created in the short run.

Scant Jobs

As to the Emergency Jobs Act, a GAO study found that funds were spent slowly and that the unemployed received only a small portion of the jobs created. Most funds were not spent before June 1984, well after the end of the recession. Peak employment created by the program was only 35,000 jobs, of which only 25% went to people who were unemployed.

* * *

Only since the advent of Keynesian economics have governments come to believe that they can moderate, or even eliminate, the business cycle by pumping up demand through countercyclical tax and spending programs. Yet even John Maynard Keynes expressed deep skepticism about government's ability to do this. "Organized public works, at home and abroad," he said, "may be the right cure for a chronic tendency to a deficiency of effective demand. But they are not capable of sufficiently rapid organization (and above all they cannot be reversed or undone at a later date), to be the most serviceable instrument for the prevention of the trade cycle."

Many things need to be done to address our economy's problems. But we should not delude ourselves that such problems began with the recession or can be cured by an anti-recession program.

Mr. Bartlett is departing deputy assistant secretary for economic policy at the Treasury Department.

New York Times February 1, 1993

Jobs Promised in '91 Bill Have Yet to Be Realized

By **MICHAEL deCOURCY HINDS**

Viewed as a stimulus for an economy in the doldrums, a $151 billion transportation bill was quickly approved by Congress and signed into law by President George Bush in November 1991. The bill, the President promised, would quickly translate into "jobs building roads, jobs building bridges and jobs building railways."

But more than 13 months later, transportation planners say, the law has neither stimulated the economy nor created many jobs. It will take another year or two, they say, to produce concrete results.

"The legislation's total effect is underwhelming," said Representative Bob Carr, a Michigan Democrat who is vice chairman of the House Appropriations Subcommittee on Transportation.

What happened? One important reason is that Congress, facing a growing Federal deficit, provided states with only 70 percent of the money authorized by the law, officially known as the Intermodal Surface Transportation Efficiency Act of 1991. That was just a modest increase over transportation financing in previous years.

More Planning Required

In addition, the law itself has slowed the process. It requires more planning and sets standards for meeting new Federal requirements on air quality and access for the disabled. It also requires more public participation in determining which projects should be built and whether they should be mass transit or highway projects. State agencies, which used to make most transportation decisions, must now consult with local and regional groups.

But perhaps the biggest reason for the delay is simply that transportation projects, by virtue of their size, take years to plan and build.

And that may be the bill's biggest lesson for the new Clinton Administration, which is considering a plan to spend an additional $15 billion to $20 billion this year on public works, including highway and rail projects.

"The details of Clinton's program are yet to be spelled out," said Steven D. Gold, director of the Center for the Study of the States at Rockefeller Institute of Government in Albany. "But the experience with the Surface Transportation Act provides some cautionary flags about expecting fast results."

Widely Hailed Legislation

The 1991 transportation bill was heralded by all sides. Even Mr. Bush, who once opposed its mass-transit provisions, enthusiastically endorsed it as a symbol of his Administration's efforts to breathe life into a weak economy. The measure increased transportation spending by 25 percent, to a total of $151 billion in the fiscal years 1992 to 1997. Some of the extra money was set aside to help state and local governments comply with new Federal laws requiring costly steps to improve air quality and provide better access to public buildings and transit systems for disabled people.

But Congress appropriated an increase of only 9 percent, to an average of $21.5 billion in the 1992 and 1993 fiscal years.

Still, the transportation law represents the first significant shift in national transportation policy since the Interstate highway system was begun 35 years ago.

For years, that policy was defined simply as where to build new highways. But the new law forces the states to develop long-range regional plans that reduce traffic without increasing air pollution. And in recent interviews, three dozen planners and government experts said the law seemed to be generally doing what it was intended to do: promote the wisest investment of Federal money, whether it is spent on highways, transit systems, bicycle paths or pedestrian bridges.

A bill signed by Bush has lessons for Clinton.

Many Good Intentions

"The law is prompting good social policy, good environmental policy and good urban policy," said Richard P. Nathan, the Rockefeller Institute's director.

Jon A. Bloom, director of highway and area planning for the Minnesota Department of Transportation, agreed that the law set good policy. "The changes in the law are beneficial to the state," he said. "But we're not getting any more money than we used to get, and there are a lot more people at the table wanting to spend the money."

If the law had been fully financed, Mr. Bloom said, Minnesota would have received $86 million a year for highway repair projects. Instead, it will get only $47 million. "We've got problems," he said.

Because the law provides new Federal grants for projects to reduce congestion and improve air quality, some projects that would have remained on drawing boards are actually being built.

In San Jose, Calif., for example, the Santa Clara County Transportation Agency obtained a $500,000 Federal grant to build a children's day-care center next to a downtown train station. If the not-for-profit center for 150 children can attract more parents to the county transit system, which serves 200,000 passengers a day, the county plans to apply for grants to build centers at 24 other stations.

"Without the new law, the child-care center wouldn't have happened because we had no local funds for it," said Rod Diridon, a member of the Board of Supervisors of Santa Clara County, which includes San Jose and operates the local transit system.

In Boston, the Massachusetts Bay Transportation Authority received $3.2 million to start restoring commuter rail service between Boston and 32 southeastern communities that was discontinued in 1959. The agency proposed the restoration two years ago, when Federal grants would have covered half of the project's $480 million cost. But now that transit and highway projects receive equal treatment, the transit agency expects the Federal Government to pay 80 percent of the cost. "We would have built it with a 50 percent Federal subsidy," said Jim Ball, an agency spokesman, "but it would have been much more difficult."

The new law often gives transit projects an edge over highway projects because the law incorporates provisions of the Clean Air Act of 1990, forcing states to consider the environmental costs of competing transportation proposals. The law will be felt most in the 92 metropolitan areas with poor air quality. States must bring these areas into compliance with Federal air-quality standards, which mandate a 15 percent reduction in smog-related pollutants from 1990 to 1996, or face Federal sanctions, including the loss of transportation subsidies.

Jury Is Still Out

Although transit systems appear to get the most benefit from the new law, many transit officials are not ready to pass judgment.

"Like people in most communities and regions, we in New York are trying to figure out how to adapt ourselves to the new rules of the game," said Peter E. Stangl, chairman and chief executive of the Metropolitan Transportation Authority.

The agency is looking to the Federal Government for a significant part of its five-year, $9.6 billion capital improvement program. It received only $200 million last year, and Mr. Stangl said, "The test will be how well we do over the next four years."

PUBLIC WORKS AS A COUNTERCYCLICAL TOOL

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES

NINETY-SIXTH CONGRESS

SECOND SESSION

JUNE 17, 1980

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 18, 1980

Honorable Lloyd Bentsen
Chairman, Joint Economic Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your request for the views of the Administration on the issues of public works programs and their use as countercyclical economic policy tools. I appreciate your agreeing to my providing these views in this form rather than in testimony.

Considerable analytic work on the issue of the counter-cyclical effectiveness of public works projects has been done, and although not all the work is completed, some of our own initial conclusions are clear enough to be offered for consideration during your hearings. In particular I would like to summarize some of the major conclusions of a study done by the staff of the Office of Management and Budget, based upon a careful review of the data available on the first two rounds of countercyclical public works funding. A copy of that study is enclosed.

First, the problems of triggering these programs at the onset of a recessionary period, and of targetting them to localities of high cyclical unemployment, are very difficult to solve. Using only one indicator is not adequate; policymakers need more flexibility to consider all relevant factors.

Second, public works construction projects have, in the past, been so slow to implement that the direct employment or general economic stimulus they have generated has fallen too late in the following economic upturn. As a result, public works expenditures have generated inflationary pressures in the local economies affected.

Third, public works programs have provided little direct help in solving problems of the long-term unemployed and disadvantaged. Because direct employment in the construction trades is primarily in skilled jobs, employment generated by these programs normally does not reach many of the unskilled, hardcore unemployed.

Overall, the evidence suggests that public works programs have not been as effective as other countercyclical tools in stimulating employment and economic growth. During this period of budgetary restraint, any funding for LPW would threaten to squeeze out higher spending priorities. Further, it would be inappropriate to institute a large, new spending program at a time when the Federal Government is experiencing severe fiscal restraints and cutting back on other spending initiatives.

Sincerely,

Jim McIntyre

James T. McIntyre, Jr.
Director

Enclosure

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HIGHLIGHTS FROM PUBLIC WORKS AS COUNTERCYCLICAL ASSISTANCE

Executive Office

of

The President

Office of Management and Budget

Special Studies Division

Economics and Government

November 1979

PREFACE

In November 1979 the Special Studies Division/Economics and Government of the Office of Management and Budget prepared an analysis of the effectiveness of public works as a means of countercyclical assistance. The report examined post war cyclical experiences nationally and in subnational areas to assess the feasibility of developing appropriate national trigger, targeting, and allocation mechanisms that could be used to effectuate a national standby countercyclical public works program. In addition, the report examined the timing requirements associated with construction projects to determine whether such requirements precluded the use of public works construction as a countercyclical tool. Finally, the report briefly analyzed the performance of past countercyclical public works programs with a view to determining the effectiveness of such programs in meeting the needs of the unemployed.

The purpose of this report is to highlight the major findings of the November report as well as to briefly discuss the approach taken in reaching these conclusions.

This report was prepared by Anthony J. Sulvetta and Dr. Jules Lichtenstein under the supervision of Howard M. Smolkin, Deputy Associate Director, Special Studies Division, Economic and Government of the Office of Management and Budget. Opinions and conclusions expressed herein should not be construed as representing the views of the Office of Management and Budget, Executive Office of the President.

MAJOR FINDINGS

- A national countercyclical public works program cannot be triggered and targeted to cyclically distressed areas in a timely manner to compensate for cyclical fluctuations in unemployment and aggregate economic activity.

- Even if it were possible to time a countercyclical program comparable to the Local Public Works Programs of 1976-1977, to coincide with a national cyclical downturn, the employment build-up patterns associated with public works construction activities (the necessary time to construct public works facilities) would lead to a significant overlap of job generation and general economic stimulus into periods of national economic recovery.

- Public works programs have had minimal impact on the unemployed due to two factors — 1) low labor intensity of public works projects and 2) the mismatch between skill requirements of construction activities and the lack of comparable skills among the unemployed.

- Duration of employment on public works for individual workers is: too short to provide meaningful relief from previous periods of unemployment, of insufficient time to maintain workers skills and work habits, and too short a period for on-the-job training.

- In addition to timing problems and the inability of public works programs to effectively target benefits to the unemployed, public works are an extremely costly means of generating employment. Under various assumptions of the model presented in the text, including the degree to which Federal funds were substituted for local funds in public works construction, the gross cost of generating a construction person year of employment ranges from $70,000 to $198,000*.

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*An estimate of $70,000 per direct person year of construction employment assumes zero substitution.

Finding No. 1: A Standby Countercyclical Public Works Program Cannot be Triggered in a Timely Manner

In order to analyze whether a standby countercyclical public works program can be triggered in a timely manner, it was necessary to investigate several questions:

- Are economic indicators available that signal the onset of a recession?
- Do changes in the State, regional and local economies parallel changes in the national economy?
- Are recessions similar such that assumptions can be safely made about the impact of future recessions on national and subnational economies?

To analyze these questions the authors of the SSD study examined several indicators in the context of the six recessions that have occurred since the end of the Second World War. These included selected indexes of the Bureau of Economic Analysis' index of leading indicators, the composite list of leading indicators, unemployment rates, and quarterly estimates of Gross National Product (GNP). Because of its importance to public policy, the focus was on the suitability of the unemployment rate as a trigger mechanism. The unemployment rate is often thought of as a key measure of economic health. Results indicate there is little regularity between changes in the unemployment rate and changes in quarterly GNP — which is used to time the cyclical turning point at the start of a recession as defined by the National Bureau of Economic Research (NBER). The authors observed that:

- Changes in the rate and number of unemployed just before and after an NBER-dated recession, are negligible. As such unemployment is not a reliable predictor of a recession.
- A trigger based on the unemployment rate is unsatisfactory for several reasons:
    - Rates differ from recession to recession and may either coincide with or lag the start of a recession.

- Differences in the unemployment rate before and after the start of a recession as well as the unemployment rate which coincides with the NBER-dated start of a recession are unrelated to the severity or duration of a recession.

In short, an unemployment rate cannot be used to trigger a national standby countercyclical public works program in a timely manner. Moreover, regional, State, and local cyclical conditions can vary from national conditions and indicators of a national recession may fail to reflect accurately the character of subnational cyclical behavior.

Synchronization of a national standby countercyclical public works program with regional and local cyclical economic distress is virtually an impossible task. Each recession tends to have unique impacts on industrial sectors of the economy. Although regional economies are tending to become similar structurally, recent studies indicate that each recession has had a different impact on the economy of regions and localities. As such, past experience is only of limited value in understanding subnational cyclical behavior (i.e., cyclical amplitude, duration and responsiveness) during a recession.

Finding No. 2: Even If a Standby Public Works Program Could be Triggered in a Timely Manner It Would Have a Procyclical Impact

In order to analyze whether a standby public works program can have a countercyclical impact on the economy during a recession several basic questions needed answering:

- How long does it take to complete projects funded by a standby public works program once the program has been triggered?
- What is the timing of the value of construction put-in-place for the program?
- When and how many jobs are created by such a program?

To analyze these questions the authors developed a model which focused on the time required to complete public works construction and the stream of employment generated over time by such projects. The model matched information on the type and size of projects funded by LPW with data on construction timing and employment generation which were available on a project type and size basis.

This project data was obtained from: (1) The Economic Development Administration's regular public works program, (2) published and unpublished BLS sources, (3) construction reports of the Bureau of the Census, (4) the Public Works Impact Program (PWIP) and (5) a limited number of completed Local Public Works (LPW) projects. The model assumed:

> Assumption No. 1: The type and size of public works projects to be funded by the hypothetical standby program would be similar to those funded under LPW, thus providing State and local governments maximum discretion in the selection of projects.
>
> Assumption No. 2: Unlike the LPW program, where projects were funded in two phases (LPW I for $2 billion and LPW II for an additional $4 billion), the authors assumed a single $6 billion program funded at one point in time.
>
> Assumption No. 3: Standby legislation exists to authorize the expenditure of local public works funds, and unrealistically, a trigger mechanism identifies the start of a recession.
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> Assumption No. 4: Regional and local economic conditions parallel those of the national economy, i.e., the magnitude and change in direction of regional and local unemployment rates parallel national unemployment rates. The result would be that regional and local economies would neither lead nor lag at the start or end of a recession, and that the severity of a recession in regions and localities would equal that in the nation.
>
> Assumption No. 5: Administrative and implementation time delays at the Federal, State, and local levels, which include advertising (solicitation of construction bids), time required for bid processing, contract awards, and construction starts are minimal. All projects are assumed to start construction 90 days from the beginning of a recession.
>
> Assumption No. 6: Finally, the length of time required to complete project construction is assumed to be 10 percent less than is normally required (i.e. a project 90 percent complete is assumed to be fully complete for calculating employment generated). Obviously, this will serve to accelerate employment generated as well as program outlays.

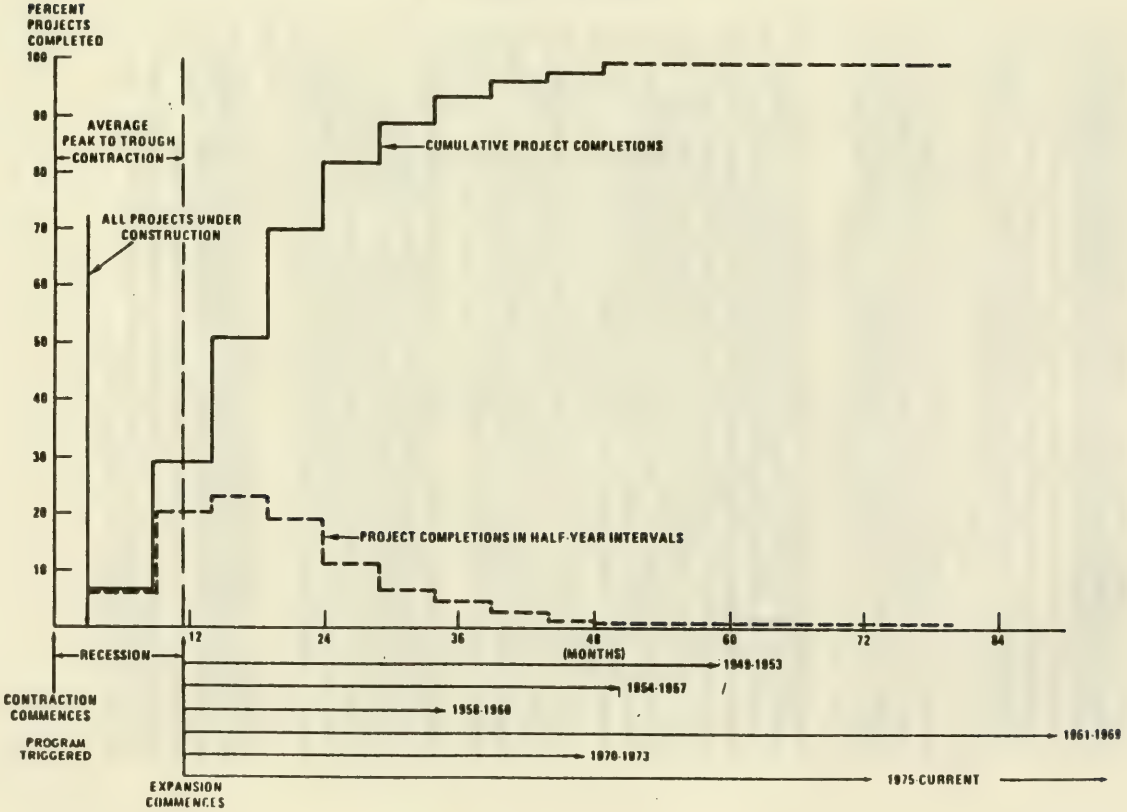
The assumptions discussed above eliminate many of the limitations of countercyclical public works programs cited in the literature. Nevertheless, even utilizing these assumptions the model estimates that countercyclical public works comparable to those funded under the LPW program are inherently incapable of performing effectively as a countercyclical tool.

An examination of the characteristics of the six post war recessions indicates that their duration has been short — an average of only 11.8 months. This is a period far too short for a public works program to perform in a countercyclical manner given the long period required for construction of projects. Even if a program could be triggered exactly at the beginning of a recession and all projects start construction 90 days (3 months) after the program begins, the bulk of the employment would be generated after the recession ended. This employment would be generated during the economic recovery when total national as well as construction industry unemployment are declining. This situation is illustrated in the following Figure. The model illustrates that the length of time required to complete construction of public works projects extends well beyond the end of the average post war recession. The model estimates that due to the length of time required to complete projects comparable to those funded under LPW, less than 8 percent of all projects would be completed 9 months after the start of the average recession. About 30 percent of all the projects would take more than 2 years to complete. Thus, project construction would extend well into each of the six post war recoveries, even under assumptions which eliminate most barriers to expeditious implementation.

As expected, the length of time required to complete project construction is related to project size (as defined by project cost). Larger projects take longer to complete. Approximately 50 percent of all projects costing $250,000 or less would be completed within 12 months compared to 4.1 percent of projects costing between $1 million and $3 million. This suggests that smaller, low cost projects be given preference over larger, high-cost projects in a properly designed countercyclical public works program.

Smaller projects appear to have other advantages including the capability to diminish the importance of labor and material bottlenecks, concentrate employment opportunities locally, and if implemented expeditiously, have a greater tendency to be countercyclical than larger projects. However, a serious question arises as to whether a funding limitation of this type would alter

ESTIMATED PROJECT COMPLETIONS OVER AN "AVERAGE" POST WAR RECESSION AND ENSUING EXPANSIONS
(11.8 MONTH CONTRACTION)



local public works priorities. Bourdon, Perloff and others have advanced the thesis that a dollar limitation on project funding may change a community's objective function and result in the funding of projects with limited social and economic value. Alternatively stated, local communities may not act in an economically rational manner if Federal project selection criteria are used. The result may be the construction of projects which are wasteful or useless.

Moreover, even assuming a situation in which project cost is limited to $500,000 and all projects start construction exactly 3 months (90 days) after the start of the program, data indicate that less than 11 percent of these projects would be completed within six months from the start of the program.

The economic stimulus of a countercyclical program is generally defined in terms of the stream of dollar expenditures over time. The model illustrates that nearly 15 percent of the $6 billion hypothetical public works program would be spent between the third and ninth month after the start of a recession, with less than 47 percent spent 15 months after all projects start construction. As such, more than 56 percent of all funds (under our accelerated expenditure assumptions) are estimated to be outlayed during the recovery. Smaller projects, requiring 12 to 18 months to complete, have accelerated outlay patterns.

Outlay data provided by the Economic Development Administration closely approximate this pattern generated by this model. When LPW I and LPW II data are adjusted to simulate the outlay of funds for both phase I and II at the same time, adjusted outlays closely parallel the model's results.

Expenditure data are used to estimate the employment generated by a public works program. Using the authors' computational procedure, the hypothetical program is estimated to generate approximately 86,500 person years of employment.* Less than 15 percent of all person years of employment are generated within nine months after the start of the recession. Nearly 95 percent of all person years are generated within two and one half years from the start of all construction activities. Over 78 percent of the person years generated during this period would occur during the recovery.

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*Estimates on cost and employment generation of LPW provided by EDA, after the analytical portions of this study were completed, are similar to the study's findings. As of November 1979, EDA estimated that approximately 86,000 person years of direct construction employment would be created (compared to our estimate of 86,500 person years) at a cost per person year of $69,767 (our estimate of $69,300 was slightly less).

Finding No. 3: Past Countercyclical Public Works Programs have Provided Few Jobs to the Unskilled-Unemployed

Past countercyclical public works programs have hired relatively few unskilled-unemployed due mainly to two factors (1) low labor intensity of public works projects, and (2) the considerable mismatch between the skill requirements of construction activities and the low skill levels of most unemployed.

Labor intensity, i.e. the proportion of total project cost spent on construction wages/salaries, of both the PWIP and LPW programs was only about 22 percent, despite the fact that their project type and mix differed substantially from one another. As such, the bulk — 78 percent, of each program's expenditures operated simply as a fiscal stimulus. According to Robert E. Hall, "The main thing that local public works do is to increase the demand for gypsum board and other materials that are very elastically supplied by other sectors. The effect is just the same as the effect of a general increase in expenditures." In other words, whatever special influence local public works have within labor market areas derives from the 22 cents out of every dollar of the program spent as direct wage payments.

Neither the PWIP nor the LPW program provided a substantial proportion of the jobs they generated to the unemployed. Specifically, the proportion of jobs generated by the PWIP program which went to those who were unemployed just prior to being hired was only 27 percent, and just 12 percent for the LPW program. This is primarily due to the fact that each program required a relatively large share of skilled workers — about 47 percent of all jobs generated by the PWIP program and about 75 percent of all jobs generated by the LPW program. Studies show that the proportion of jobs going to the unemployed is directly related to the proportion of unskilled labor required by a public works project.*

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*Unskilled and semi-skilled workers suffer more frequent and longer periods of unemployment during a recession than do skilled workers.

Finding No. 4: Duration of Employment Provided by Past Countercyclical Public Works Jobs has been Too Short to be Meaningful

An analysis of past countercyclical public works programs has shown that the length of time a typical worker is employed on a construction project is too short to: (1) provide meaningful relief from previous periods of unemployment, (2) maintain job skills, and (3) provide on-the-job training.

High labor turnover on construction projects reduces the ability of a public works program to provide either employment continuity, income, or skill maintenance to program participants during a recession. Under the PWIP program for example, the average duration of employment for all workers amounted to only 4.1 weeks. Fifty-eight percent of all workers worked 2 weeks or less.

The average duration of employment for unskilled workers, who had experienced more frequent unemployment prior to being hired, was 3.7 weeks compared to a 4.2 week duration for skilled workers. Preliminary data for the LPW program indicate that the average duration of employment for all workers was 3.5 weeks — 3.5 weeks for skilled workers and 3.4 weeks for unskilled workers.

Wages and salaries paid to the previously unemployed represented a small proportion of the total expenditures for each program. Under the PWIP program 27 percent of all individuals who were previously unemployed received 33 percent of total wage payments — less than 7 percent of total program costs. For the previously unskilled-unemployed, earnings per hour were less than 55 percent of the hourly wages paid to previously employed skilled workers.

Under the LPW program, the estimated 12 percent of the individuals who were previously unemployed received about 14 percent of the program wage bill or slightly more than 2 percent of total program costs. Earnings per hour for unskilled workers, regardless of previous employment status, remained substantially below those for skilled workers — less than 70 percent of the skilled worker hourly rate. Thus the presumed advantages of public works programs — that the direction and composition of spending can be targeted to certain areas and groups to provide income and employment benefits — are questionable if examined in light of the available data.

Finding No. 5: Public Works are an Extremely Costly Means of Generating Jobs*

In order to analyze the cost of generating employment using a countercyclical public works program it was necessary to address a number of questions:

- What is the direct, indirect and induced employment as well as their sum or "total" employment generated by a countercyclical public works program?
- What is the "net" employment (accounting for factors such as "displacement" and "crowding out" which decrease employment) generated by a countercyclical public works program?
- What is the timing of "total" employment likely to be?
- How do job costs differ depending on the measure of employment used?

To determine "total" employment the authors made several assumptions. First, the sum of indirect and induced employment generated was assumed to be approximately 2.7 times the amount of direct (construction) employment generated.** Second, induced employment effects, i.e. employment generated from the expenditure of wages and salaries by construction workers and workers in supplying industries are assumed to lag the generation of direct (construction) employment by 6 months. For convenience, it is assumed that the value of construction put-in-place is immediately translated into indirect (i.e. construction supplying industry) employment. Results indicate:

- Approximately 86,500 direct jobs, 66,000 indirect jobs, and 167,700 induced jobs (i.e., "total" employment of 320,200) would be generated by a hypothetical countercyclical public works program funded at

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*A job is defined as a person year of employment, i.e., 1800 hours of employment per year.

**Estimate developed by the Rand Corporation of the gross multiplier effect of public works construction activities.

$6 billion with a distribution of projects in terms of type and size, similar to that funded by the LPW program.*

-- Induced employment represents the largest share of "total" employment -- over 52 percent; indirect employment, i.e., employment in supplying/service industries the least — 21 percent; and direct employment approximately 27 percent.

The timing of "total" employment is analyzed in terms of the length of time required to complete construction projects for direct (construction) jobs, and the assumptions, noted above, about when indirect and induced jobs are generated. Results indicate nearly 85 percent of total employment is generated during a recovery and nearly 23 percent of the program's "total" employment occurs two years after the program's implementation.

It is widely recognized that several factors operate to reduce the employment actually generated by a countercyclical public works program. A measure of "net" as opposed to "total" employment generated is necessary. Among the factors contributing to a reduction in "total" employment the authors cite; (1) labor hoarding and inventory accumulation, i.e., the tendency of firms to hoard labor and accumulate unnecessary inventories during recessions which result in little increase in employment when production increases; (2) substitution and "crowding out", i.e., possible reductions in private consumption and investment due to Federal investment; and (3) displacement effects i.e., the substitution of Federal for State and local funds in public works construction activities.

The authors focus on the degree to which displacement of State/local resources by Federal resources reduces the employment generated by a public works program. Because there is little empirical evidence dealing with the degree of displacement which would actually occur for a Federal public works program, they have developed net employment estimates for a broad range of displacement rates. They specify four possible displacement rates ranging from a low of 15 percent of State/local funds displaced by Federal funds, to a high of 65 percent.* Fifteen percent is lower than the rate used by Taub and Beale who estimated, for a sample of 50 jurisdictions receiving LPW funds, a displacement/substitution rate of 29 percent, i.e., a displacement rate of 20 percent in addition to a crowding out effect of 9 percent. Others have estimated displacement of State/local funds as high as 60 percent in the short run and up to 80 and 100 percent after one year. Gramlich's work indicates that displacement has the potential to cause an actual decline in Gross National Product thus possibly offsetting any net increases in employment.

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*Alternative estimates computed using the Chase Econometric Inc. methodology indicate a total of approximately 260,000 person years of employment would be generated, i.e., 81 percent of the person years of employment derived by the model.

"Net" jobs and the cost per "net" job vary considerably depending on the displacement rate assumed. At an unrealistically low rate of 15 percent, approximately 272,000 jobs are generated at a cost of about $22,000 per job. The cost of a "net" direct (construction) job amounts to over $81,000 at this displacement rate. A 65 percent displacement rate will result in only 112,000 "net" jobs, i.e., only 40 percent of the "net" jobs generated at the 15 percent level. At $53,000 per "net" job - their cost is over 2.4 times more per job than those generated at the 15 percent rate. The cost of a "net" direct (construction) job at a 65 percent displacement level approaches $200,000.

Even with our limited knowledge of the impact of displacement it is conceiveable that a standby program would lead to significant anticipatory effects. If a State or local government thinks that Federal funds will become available during a recession this will be sufficient to either expedite or delay planned construction projects which will result in higher displacement rates.

The following Table summarizes the job costs for different "total" and "net" measures of employment generated.

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*"Net" program employment estimates are approximations due to: (1) the likelihood that having overestimated "total" employment in preceding sections will also result in overestimating displacement adjusted estimates; (2) disregarding the potential implications of "crowding out" of private sector investments although "crowding out" could be implicitly factored into higher displacement rates used in the analysis; and (3) the use of a constant factor displacement rate in all time intervals which disregards the implications of intertemporal displacement (the postponement or acceleration of local construction activities).

Cost Per Job Estimates*

		"Net" Estimate			
		Displacement Rates			
	"Total" Estimate	15%	25%	45%	65%
Cost per Direct Job	$69,320	$81,554	$92,427	$126,037	$198,059
Cost per "Total" (i.e., Direct, Indirect & Induced) Job	$18,735	$22,041	$25,190	$ 34,064	$ 53,530

* A job is defined as a person year of employment, i.e., 1800 hours of employment per year.

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STATEMENT OF MR. MITCHELL

Mr. CARR. Next witness is Dan Mitchell from the Heritage Foundation.

Mr. MITCHELL. I thank you on behalf of the Heritage Foundation for this opportunity to testify.

The so-called emergency spending package proposed by President Clinton will hinder the ongoing recovery by transferring additional resources from the productive sector of the economy to the government. Clinton's proposal calls for $8.3 billion of additional outlays in fiscal 1993, with an additional $9.3 billion of outlays in the following four years. Regardless of how this money is spent, its timing and dispersion, the economy's performance will suffer. Record increases in Federal spending and budget deficits did not help the economy during the Bush administration and there is no reason to think expanding the size of government will work any better for President Clinton.

If higher Federal spending and larger budget deficits could stimulate economic growth, the economy would be booming today. In the last four years, Federal spending has increased by more than $330 billion. In this year alone, Federal spending is expected to grow by approximately $85 billion, not counting any outlays which will be added through new legislation. The budget deficit, meanwhile, jumped from $152.5 billion in fiscal year 1989 to a projected $319.2 billion for this fiscal year.

Rather than grow, however, in the last four years, the economy has experienced its weakest growth rate since the 1930s. Nor has the increase in Federal spending helped create jobs for American workers, the alleged goal of President Clinton's planned stimulus package. Unemployment climbed from 5.3 percent in 1989 to more than 7 percent today.

The notion that higher Federal spending generates economic growth is based on the Keynesian theory of economics, which was popular in the academic world prior to 1980s, and in some schools still is. Under this theory, it is total private and government spending that determines the economy's performance, especially in the short-term. If the economy slows, Keynesians believe that policymakers can restore growth by increasing the budget deficit and thereby boost total spending in the economy.

The Keynesian theory fell into disrepute in the 1970s when it became clear that high government spending and deficits were associated with slow economic growth and inflation rather than a strong economy. Critics of the theory pointed out that, among other reasons, this was because Keynesians assumed that the money used for expanded deficit spending appears out of thin air. In the real world, however, every dollar of deficit spending requires the government to borrow $1 of private credit markets.

Rather that stimulate growth or increase total spending in the economy, deficits simply transfer resources from workers, consumers and investors in the productive sector of the economy and put them under the control of politicians and bureaucrats. These officials tend to use the money less efficiently than the private sector would. The result: Slower, not faster, economic growth and slower, not faster, job creation.

If Congress approves President Clinton's proposed new spending, that action will simply crowd out an equal amount of private sector investment. The economy can benefit from this new Federal spending only if the government spends the money more wisely than the private sector, and history suggests this is not very likely.

Increased spending may please interest groups on Capitol Hill, but it will not increase incentives to work, save and invest; which is necessary for stimulating the Nation's economy. Rather than increasing deficit spending, lawmakers should be reducing Federal spending, so more of the Nation's pool of savings will be available in the productive sector of the economy.

Private sector borrowing, which is used for such things as research and development, business investment, auto loans, home mortgages, increases the economy's capacity to produce goods and services. And private investment makes possible the productivity increases that lead to rising wages and higher living standards for all Americans.

Clinton claims that spending increases will have a particularly beneficial impact if the money is spent in infrastructure and other "public investment" programs. According to this theory, the economy's performance depends, to a significant extent, on how much taxpayer money is spent on roads, bridges, mass transit, government-financed R&D, education, and other programs that special interests have reclassified as investment.

The evidence is very clear, however, that higher spending in these categories will not stimulate job creation and economic growth. The General Accounting Office, for instance, discovered that each job created by the Emergency Jobs Act in 1983 cost the economy $175,000 in today's dollars. The studies Bruce referred to in his testimony, if you adjust that to today's dollars, you are talking $136,000 to $384,000 per job created. Since an average of $40,000 is needed to create each private sector job, any government program that uses more than $40,000 to create a job will actually reduce the total number of jobs in the economy.

The Administration claims their total package will create 500,000 new jobs, but they are making a blatant error, perhaps deliberate, by not counting the number of private sector jobs destroyed by the government borrowing. Using the $40,000 rule of thumb, the Clinton job-creation stimulus package will destroy many more jobs than it will create, assuming one believes the 500,000 jobs figure to start with.

Besides being a net job-destroyer, additional infrastructure spending does not increase private sector productivity according to scholarly research. And I would cite a study by Douglas Holtz-Eakin, "Public-Sector Capital and the Productivity Puzzle" put out by the National Bureau of Economic Research for that. Thus, even the long-run argument on behalf of these programs lacks merit.

In order to stimulate economic growth, the Clinton administration should copy the successful policies of John F. Kennedy and Ronald Reagan. Both Kennedy and Reagan triggered record economic expansions by slashing tax rates and reducing the burden of government spending.

In conclusion, America was subjected to tax-and-spend economics under George Bush and it did not work. The same policies also will fail for Bill Clinton. Adding another $8.3 billion to this year's budget, not to mention the $9.3 billion down the road, will compound the damage already caused by a growing government share of the Nation's economic output. Higher spending may produce economic growth on the university blackboards of Clinton's economics advisers, but it does not do so in the real word.

Thank you.

Mr. Carr. Thank you much, Mr. Mitchell.

[The prepared statement of Mr. Mitchell follows:]

INCREASED GOVERNMENT SPENDING:
A RECIPE FOR ECONOMIC STAGNATION

Testimony delivered to
the Transportation Subcommittee
of the House Appropriations Committee
February 24, 1993

by:

Daniel J. Mitchell
John M. Olin Senior Fellow in Political Economy
The Heritage Foundation

Members of the Subcommitee, I thank you on behalf of the Heritage Foundation for this opportunity to testify.

The so-called emergency spending package proposed by President Bill Clinton will hinder the ongoing recovery by transferring additional resources from the productive sector of the economy to the government. Clinton's proposal calls for $8.3 billion of additional outlays in fiscal 1993, with an additional $9.3 billion of outlays over the next four years. Regardless of how this money is spent, the economy's performance will suffer. Record increases in federal spending and budget deficits did not help the economy during the Bush Admininistration. There is no reason to think that expanding the size of government will work any better for President Clinton.

If higher federal spending and larger budget deficits could stimulate economic growth, the economy would be booming today. In the last four years, federal spending has increased by more than $330 billion. In this year alone, federal spending is expected to grow by approximately $85 billion -- not counting any outlays which might be added through new legislation. The budget deficit, meanwhile, has jumped from $152.5 billion in fiscal year 1989 to a projected $319.2 billion for this fiscal year. Rather than grow, however, the economy in the last four years has experienced its weakest growth rate in more than fifty years. Nor has the increase in federal spending helped create jobs for American workers, the alleged goal of Clinton's planned stimulus package; unemployment climbed from 5.3 percent in 1989 to more than 7 percent today.

The notion that higher federal spending generates economic growth is based on the Keynesian theory of economics, which was popular in the academic world prior to the 1980s. Under this theory, it is total private and government spending that determines the economy's performance, especially in the short term. If the economy slows, Keynesians believe that policy makers can restore growth by increasing the budget deficit and thereby boost total spending in the economy.

The Keynesian theory fell into disrepute in the 1970s when it became clear that high government spending and deficits were associated with slow economic growth and inflation rather than ~~robust growth~~ a strong economy. Critics of the theory pointed out that, among other reasons, this was because Keynesians assumed that the money used for expanded deficit spending appears out of thin air. In the real world, however, every dollar of deficit spending requires the government to borrow one dollar from private credit markets. Rather than stimulate growth or increase total spending in the economy, deficits simply transfer resources from workers, consumers, and investors in the productive sector of the economy and put them under the control of politicians and bureaucrats. These officials tend to use the money less efficiently than the private sector would. The result: slower, not faster, economic growth and slower, not faster, job creation.

If Congress approves President Clinton's proposed new spending, that action will simply crowd out an equal amount of private sector investment. The economy can benefit from this new federal spending only if government spends the money more wisely and efficiently than the private sector. World history suggests that is not very likely. Increased ~~pork barrel~~ spending will please the interest groups on Capitol Hill, but it will not increase incentives to work, save, and invest.

Rather than increasing deficit spending, lawmakers should be ~~slashing~~ reducing federal spending, so more of the nation's pool of savings will be available for investment in the productive sector of the economy. Private sector borrowing -- which is used for such things as research and development, business investment, auto loans, and home mortgages -- increases the economy's capacity to produce goods and services. And private investment makes possible the productivity increases that lead to rising wages and higher living standards for all Americans.

Clinton claims that spending increases will have a particularly beneficial impact if the money is spent on infrastructure and other "public investment" programs. According to this theory, the economy's performance depends to a significant extent on how much taxpayer money is spent on roads, bridges, mass transit, government-financed research and development, education, and other programs that special interests have re-classified as "investment."

The evidence is very clear, however, that higher spending in these categories will not stimulate job creation and economic growth. The General Accounting Office, for instance, discovered that each job created by the "Emergency Jobs Act of 1983" cost the economy $175,000 in today's dollars. A 1979 study by the Office of Management and Budget found that infrastructure jobs cost between $136,000 and $384,000 in today's dollars. Since an average of $40,000 is needed to create each private sector job, any government program that uses more than $40,000 to create a job will actually reduce the total number of jobs in the economy. The Administration claims their total package will create 500,000 new jobs, but they are making a blatant error, perhaps deliberate, by not counting the number of private jobs that are destroyed by the additional government borrowing. Using the $40,000 rule of thumb, the Clinton jobs-creation stimulus package will destroy many more jobs than it will create -- assuming one believes the 500,000 job creation number in the first place.

Besides being a net job-destroyer, additional infrastructure spending does not increase private sector productivity according to scholarly research. Thus, even the long-run argument on behalf of many of these programs lacks merit.

In order to stimulate economic growth, the Clinton

Administration should copy the successful policies of John F. Kennedy and Ronald Reagan. Both Kennedy and Reagan triggered record economic expansions by slashing tax rates and reducing the burden of government spending.

In conclusion, America was subjected to tax-and-spend economics under George Bush and it did not work. The same policies also will fail for Bill Clinton. Adding another $8.3 billion to this year's budget, not to mention the $9.3 billion down the road, will compound the damage already caused by a growing government share of the nation's economic output. Higher spending may produce economic growth on the university blackboards of Clinton's economic advisors, but it does not do so in the real world.

Daniel J. Mitchell
John M. Olin Senior Fellow
in Political Economy

For further information:

Edward L. Hudgins, "Why Infrastructure Spending Won't Jump Start the Economy," Heritage Foundation Memo to President-Elect Clinton No. 9, January 15, 1993.

"Anti-Recessionary Job Creation: Lessons From the Emergency Jobs Act of 1983," Testimony of Lawrence H. Thompson, General Accounting Office, GAO/T-HRD-92-13, February 6, 1992.

"Highlights From Public Works As Countercyclical Assistance," Special Studies Division, Office of Management and Budget, November, 1979.

Douglas Holtz-Eakin, "Public-Sector Capital and the Productivity Puzzle" (Working Paper No. 4122, National Bureau of Economic Research, Inc., July 1992).

JUSTIFICATION FOR "EMERGENCY" DESIGNATION

Mr. CARR. Mr. Wolf?

Mr. WOLF. I thank you, Mr. Chairman.

I want to thank all of you for your testimony and for your quick response. They probably didn't get to you until about six o'clock last night. You have really answered all the questions that I had.

I wanted to ask you, do you believe this is an emergency and you all seem to feel it is not an emergency. Do you believe this will create a problem for the deficit? What potential problem do you see for the deficit with this stimulus package?

Mr. BARTLETT. Well, I would basically agree with what the Chairman said, that this is not really a jobs bill, and that really the debate ought to be about the role of infrastructure in the economy, the role of public goods, whether these are good projects that will stand on their own two feet as merit, in terms of their merit, rather than just saying public works are public works, it doesn't matter where we build them, let's just build it fast.

I think that is the real danger, and my concerns are more in the macro area. I think that we are seeing a temporary lull in terms of inflation and interest rates. To the extent that the financial markets come to believe that government is going to totally ignore economic conditions and push ahead regardless with stimulus, this simply cannot help but have some negative effects in terms of inflationary expectations. And I think that this will have perhaps modest but long-term negative effects.

Mr. HULTON. I don't believe we are going to get enough stimulus from this $4 billion to do much to offset the fact that this money could have been used to——

EFFECTS OF HISTORICAL CYCLICAL SPENDING

Mr. WOLF. What if you look at the whole package, and I know it is not all before this committee, but if you look at the $30 billion package?

Mr. HULTON. Well, there are interesting timing issues, if people rush to take advantage of tax advantages that are very short lived, I think we might see a lot of activity in the short run. But I would not want to try to put a number on it.

Mr. WOLF. What are your comments about the use or lose provision? Does that create a problem?

Mr. BARTLETT. I am not an expert in that area.

Mr. HULTON. Nor am I, but I would raise the issue that I think has been raised before, that any time you rush to spend money, there has to be the concern that it is not going to be well spent.

Mr. WOLF. Two other questions. How does this package compare—Mr. Bartlett, you mentioned the other packages, and I think you did in your Wall Street Journal piece, how does this package compare with the other packages and how long after a recession is this package versus the other post-recession packages in our history?

Mr. BARTLETT. Well, as the table on page 3 shows, every single stimulus programming enacted in the post-war era came after the recession, some several years later, and so in this respect it is sort of average, I would say. I would be willing to concede the point that in theory if the government could enact a program before the recession began that was timed so that the spending took place during the recession, then this might be a worthwhile thing to do. But I just think that it is just crazy to do something two years later and call it an anti-recession program.

Mr. WOLF. Do you all agree it is a net job destroyer? Mr. Mitchell, you are basically saying this will lose more jobs than it will actually create?

Mr. MITCHELL. Yes. It doesn't imply there should be no infrastructure spending; it doesn't imply all the spending proposals in this bill or the subcommittee's portion of the broader bill are illegitimate uses of Federal spending, but we have a fundamental problem. Too many resources are being taken out of the productivity sector of the economy, and it will add to the level of Federal spending and deficit, and I cannot see that creating jobs.

Mr. WOLF. Mr. Bartlett.

Mr. BARTLETT. To the extent that average wages for jobs created by this infrastructure bill is higher than the average wage in the economy, you are necessarily creating fewer jobs than you could.

One suggestion I might make to the committee is if they truly want this to be a jobs bill, they should suspend Davis-Bacon, which would allow more jobs to be created per dollar of spending.

DAVIS-BACON REQUIREMENTS

Mr. WOLF. The Secretary was asked that question yesterday by Mr. DeLay and he said he would not be——

Mr. DELAY. I did not put him up to that.

Mr. WOLF. Well, I have no further questions. I want to thank you for your comments. I appreciate your taking the time to come.

Do you think that the editorial writers will begin to see this, because the initial shift on the President's package reaction was very, very favorable, and you are still seeing business groups that are saying some positive things about it, not as much, but do you think this will sink in?

Mr. BARTLETT. One can hope.

Mr. MITCHELL. I think a lot of business groups are worried that they are going to be singled out like the pharmaceutical manufacturers were, and they are basically just laying low in the hope they can minimize the damage that occurs to their particular industry. They are not exactly defenders of the overall market system.

Mr. WOLF. I did read that White House lobbyists were calling businessmen afterward telling them they better either be for the program or be quiet, and that they would remember who had spoken out.

Thank you, Mr. Chairman. I have no further questions.

Mr. CARR. Mr. DeLay?

Mr. DELAY. Thank you, Mr. Chairman. I just have a couple, because you did support some of the points we were trying to make with the Administration witnesses.

Dr. Mitchell, why, you are not listed here as doctor?

Mr. MITCHELL. That is because I am an ABD, not a Ph.D.

JOBS AFFECTED BY STIMULUS PROPOSAL

Mr. DeLay. Could you or does it take a lot of trouble to evaluate the stimulus package, not just the transportation portion of it but the entire stimulus package, and just the stimulus package not the overall plan, and give us an idea of how many jobs are lost because you made the point of losing jobs?

The Secretary of Transportation in my question stated they had looked at loss of jobs versus jobs created and their 70,000 projection was a net increase in the creation of jobs that they are projecting. Could you give us the number of jobs that you feel would be lost by this stimulus package?

Mr. Mitchell. It would be difficult to come up with an exact number. The different historical studies have widely—not widely divergent, but they range from 120,000 per job created by the government, which, of course, is three times the private sector, to as much as 384,000, in 1991 dollars from the OMB study.

So in some sense it depends on how much it will actually cost for each job that is created by the government as a result of this bill before you can then divide all that money by 40,000, or whatever figure you want to use for what it cost the private sector to create a job. So unless there is an estimate as to whether or not this type of spending bill tracks the spending bills that were researched in the past, it is almost impossible to come up with that kind of number.

But I don't think, if you simply take the 500,000 job figure cited by Clinton, divide that by the $30 million cost of the package, you are dealing with $60,000 per job, and I, of course, have serious reservations about believing the 500,000 jobs figure to begin with. But even if you accept that figure, which has to be the rosiest scenario possible, you are still talking about a net loss of jobs in the economy.

Again, the fundamental issue of whether Keynesian economics is true depends on whether you think government borrowing has no cost to the economy. I happen to think every dollar the government borrows, or spends through taxes, for that matter, deprives the private sector of a dollar it would be using a little smarter and a little wiser.

Mr. DeLay. Mr. Bartlett, are you a doctor, too?

Mr. Bartlett. No, just him.

Mr. DeLay. Mr. Bartlett, are you an economist?

Mr. Bartlett. Yes.

PRODUCTIVITY AND THE NEED TO CREATE JOBS

Mr. DeLay. So all three of you are economists. You can all answer this question. I think it is fundamental to the whole plan, but certainly to the stimulus package. The premise by which they designed this stimulus package was that this recession was not good enough and that, yes, we have seen an increase in productivity, but the increase in jobs created by this growth that we have had for the last two years has not brought down the unemployment figures to what they feel it should be, although as you probably noticed the Secretary couldn't tell me what is an acceptable unemployment rate before you declare crisis.

What about this notion of the productivity is growing but the jobs are not growing so we have to infuse jobs to equal the productivity of this economy? Anyone can start off.

Mr. BARTLETT. Well, I would say in terms of the recession itself, all the analysis I have read is that it was essentially symmetric, that the recovery is essentially symmetrical to the downturn; that is, it was a very shallow recession, although a long and painful one, but it was shallow by historical standards.

The reduction in GNP was relatively small and the top, the peak rate of unemployment was far less than it was in, say, the 1982 recession.

Mr. DELAY. Let me interrupt you. Are you saying that this recession was not the worst recession in 50 years?

Mr. BARTLETT. Far from it. I saw a study from the Federal Reserve the other day that said it was the second shallowest recession in the post war era. I think the 1958 or maybe the 1953 recession was shallower and the 1980 recession was shorter, but it was much deeper. And I think that to a certain extent we are pushing on a string here if we think that we can push things along faster than their natural tendencies would allow them to, and I certainly would feel that private sector jobs are better than public sector jobs because they add more to it, in terms of what Mitchell was saying, to what the people really want.

Mr. HULTON. I was just reading a National Bureau of Economic Research study last night that was speaking to the issue of employment and particularly loss of employment in manufacturing industries, and they attributed a lot of the problem to a combination of industry adjustments due to economic trade and adverse impacts of trade, plus the shifts in demand from changing the defense, the amount of demand from the Defense Department, first upsizing and then presumably now downsizing, and also, finally, to the rather significant rate of productivity change, which has been gradually accumulating over the last 50 years.

So that leads me to suspect that a lot of the employment problems we are seeing now are probably the result of underlying factors in the economy and are probably not going to respond very strongly to a stimulus package of $30 billion and I would certainly—it doesn't seem to me this $4 billion number that we have before this subcommittee is really going to make much of a dent one way or the other in what is going to happen.

Mr. MITCHELL. If I could add one point, unemployment is traditionally a lagging indicator. The unemployment rate peaks after the recession has peaked or troughed, I guess one would say, and so it is not a surprise that it has taken a little bit longer after the recession has ended for the unemployment rate to begin dropping. And, of course, we have to factor in other things such as legislation passed in the last couple of years that has made it more costly for businesses to create jobs.

You are talking about an explosion in regulation, a significant increase in the tax burden, and I suspect that it is going to be very, very difficult for the economy to reach its pre-recession level of employment of labor simply because when you add all the things like the Disabilities Act the Clean Air Act the civil rights bill, as well as the tax increase of 1990, I think the economy's potential growth rate and potential level of employment has been diminished.

Mr. DeLay. Do the three of you agree, and we have stated here and I can't find out quickly where it came from, but a total of 1 million jobs were created last year? Have you read that anywhere?

Mr. Bartlett. Be easy enough to check. I don't know off the top of my head.

Mr. Mitchell. I think since the total number of jobs troughed, I think we have had a net increase of one and a half million, but I would have to check that again. It might be one million for the last 12 months but, you know, the numbers are easy enough to check.

HERITAGE FOUNDATION MEMO ON INFRASTRUCTURE SPENDING

Mr. DeLay. Mr. Chairman, I have a memo written by the Heritage Foundation entitled, "Why Infrastructure Spending Won't Jump-Start the Economy" and I would like to enter it into the record, if I could, and I thank you gentlemen for coming.

[The information follows:]

MEMO TO: President-Elect Clinton

No. 9

214 Massachusetts Avenue, N.E. Washington, D.C. 20002-4999 (202) 546-4400

January 15, 1993

WHY INFRASTRUCTURE SPENDING WON'T JUMP START THE ECONOMY

> *As a prominent part of our commitment to put people first, we will create a Rebuild America Fund, with a $20 billion Federal investment in each year for four years....*
>
> Bill Clinton, *Putting People First: A National Economic Strategy for America*

EXECUTIVE SUMMARY

During your presidential campaign, President-elect Clinton, you told audiences that the federal government should spend $80 billion over the next four years to create jobs, while at the same time upgrading America's roads, bridges, and other physical facilities. Not surprisingly, the word "infrastructure" has been on the lips of many policy makers looking for ways to jump start an economy perceived as dangerously weak. It also has been on the lips of many lobbyists.

But while there are real issues involving both infrastructure and jobs that you should address, a federal spending strategy would not achieve your goals. And such a strategy would make the budget deficit even worse.

Among the problems with your approach:

- **Infrastructure spending already is scheduled to grow.** In December 1991, the Bush Administration won approval to spend $151 billion over the next six years on such projects.
- **More government infrastructure spending is not likely to put more Americans to work in the near future.** Infrastructure projects take time to plan. Local public hearings must be held, bids sought and contracts issued. If jobs are created, it can be years after federal funds are approved. And the cost can be many times that of jobs created in the private sector. Each new job created for the unemployed with mass transit funds in the Emergency Jobs Act of 1983, for instance, cost over $300,000 during the first year of spending.
- **The quicker the federal government doles out money for infrastructure, the more likely it is that the money will go to pork barrel projects.** Local interest groups will profit, but real local and national problems will not be addressed.

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

- **More spending will mean that the system that currently misallocates infrastructure funds will be perpetuated.** Federal grant formulas create incentives for local governments to waste money on inappropriate approaches to problems.

A better approach to solve infrastructure problems would be to reform the federal regulations that drive up costs and block more efficient and less expensive solutions. Local governments and the private sector often see ways of solving their own problems but find their hands tied by the federal government. Ironically, this forces them to go to the federal government for more money to overcome the burden that the federal government imposes on them.

Among the specific actions you should take:

Action 1: **Use your Executive authority to suspend the Davis-Bacon Act, which artificially raises the cost of projects. Then press for repeal.** Davis-Bacon mandates union scale wages and reduces job openings for less-skilled workers.

Action 2: **Instruct the Transportation Secretary to develop guidelines for selling airports to the private sector and to publicize the benefits of privatization to local governments that own airports.** While George Bush signed an executive order to make such privatization possible, he did virtually nothing to implement the order.

Action 3: **Press for legislation to repeal Section 13(c) of the 1964 Urban Mass Transportation Act.** This union protection law forces up the cost of operating mass transit systems.

Action 4: **Work to remove federal government barriers to the privatization of roads.** Private owners often can maintain roads with fees to users better than the government can. Federal regulations must be changed to allow sale of roads to the private sector.

Action 5: **Urge Congress to remove bans on blending private and public funds for road projects.** Short of complete private ownership, public-private joint ventures can mean less costly infrastructure. Public-private roads could be developed if federal government bans on such partnerships were lifted.

You are correct, Mr. Clinton, to make job creation a top priority for your Administration. Giving Americans the opportunity to prosper through their own efforts is the best way to help the economy and individuals. Yet spending more taxpayers' money on infrastructure, even as spending in this area continues to rise, will not create quick jobs. It will create an even higher budget deficit and make it more difficult to reform the current wasteful system of doling out federal funds. Recent history gives no indication that your spending will be any more effective than past spending.

Since you stand for reform, Mr. Clinton, it would be better for you to initiate a review of current federal infrastructure spending to determine how costs can be brought down and pork barrel spending eliminated. To create jobs and restore economic prosperity, you need a very different strategy for taxation and spending.[1]

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[1] See Daniel J. Mitchell, "An Action Plan to Create Jobs," Heritage Foundation *Memo to President-Elect Clinton* No. 1, December 14, 1992; and Scott A. Hodge, "How to Get Spending Under Control," Heritage Foundation *Memo to President-Elect Clinton* No. 8, January 15, 1993.

THE ILLUSORY APPEAL OF INFRASTRUCTURE SPENDING

A major theme of your campaign, Mr. Clinton, was the need to spend more on America's infrastructure. You had in mind traditional permanent facilities such as roads, bridges, urban mass transit systems, and sewers, as well as less traditional ones, such as magnetic levitation trains and electronic networks. You call spending on such infrastructure "investment." This presumably is because, like a business that purchases factory buildings, machinery, and delivery trucks as capital to increase its earnings, infrastructure spurs commerce and improves public health and safety.

You see another benefit to infrastructure spending. With unemployment still high, you believe that more infrastructure spending will create jobs quickly and trigger faster economic growth.

But when the government spends money it must distinguish between wise and wasteful investments, just as a business must. A well-run business does not purchase equipment or building space that will remain idle or unprofitable. And businesses cannot run budget deficits for long. If income continually fails to meet expenditures, the business will not be able to pay workers or suppliers and will go broke.

The federal government has, of course, run up huge deficits that are weighing down the country with debt. That shrinks funds for private investment. But you, Mr. Clinton, have promised to address the deficit problem. Thus, you must look at infrastructure spending as carefully as a business looks at its own investments. If deficits grow at the expense of private investment, the benefits of new infrastructure spending will be at best marginal and difficult to discern. At worst such spending on public "investment" and job creation will cause a bigger fall in private investment and new employment.

INFRASTRUCTURE SPENDING ALREADY IS HIGH

If higher federal government spending were the way to get the economy going, Mr. Clinton, the recession never would have occurred. This is because over the past four years, government spending has been growing rapidly. Domestic spending under your predecessor, George Bush, grew by $441 billion above the level of inflation. And this figure excludes interest on the debt and the cost of bailing out the savings and loan banks. By contrast, under eight years of Ronald Reagan, domestic spending, using the same measures, rose by only $57 billion.

But this huge spending increase under Bush did not put people to work. Rather, unemployment rose, from 5.2 percent in June 1990 to a high of 7.8 percent in June 1992.[2] Higher taxes and more government spending did not create jobs and faster growth. Instead, higher taxes meant consumers had less with which to purchase goods and services and businesses had less to invest in new job creation.

Still, you might contend that while general spending levels should be held down, spending on infrastructure or other programs specifically meant to create jobs will stimulate the economy. But the facts simply do not support that view.

Federal infrastructure spending since 1980 has averaged about $25 billion per year.

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[2] Numbers represent civilian unemployment, taken from the February 1992 *Economic Report of the President*, put together by the Council of Economic Advisors, Table B-30, p. 333, and from the August 1992 issue of *Economic Indicators*, also from the Council of Economic Advisors, p. 12.

Further, George Bush in December 1991 signed the Intermodal Surface Transportation Efficiency Act. This authorized $151 billion in new infrastructure spending over the next five years. The additional $80 billion over four years that you propose will be on top of this amount.

This almost doubling of infrastructure spending raises two questions. First, is the infrastructure itself needed? And second, will infrastructure spending create jobs efficiently, or simply mean a job for Peter at the expense of a pink slip for Paul?

1990 Infrastructure Spending is Higher Than During the Massive Highway Programs of the 1960s

Fiscal Years	Highways	Transit	Sewage	Aviation	Water	Rail	Total
	Federal Infrastructure Spending (Billions of 1990 Dollars)						
1956	$3.5	*	*	$0.1	$2.3	*	$6.0
1960	13.2	*	$0.2	0.7	3.3	*	17.3
1965	17.1	*	0.3	0.7	4.6	*	22.7
1970	14.6	$0.4	0.7	0.6	3.6	*	20.0
1975	9.7	1.8	4.3	1.0	4.5	$1.0	22.4
1980	12.2	2.7	6.5	1.2	6.1	1.6	29.0
1981	11.2	3.3	5.5	1.0	4.6	0.6	26.2
1982	9.6	3.2	5.2	0.8	4.5	0.7	24.0
1983	10.7	3.4	4.1	1.0	4.0	0.6	23.6
1984	12.4	3.7	3.6	1.2	4.0	0.4	24.4
1985	14.4	2.7	3.7	1.4	4.2	0.4	26.8
1986	15.4	3.0	3.8	1.6	6.0	0.1	29.2
1987	13.6	2.8	3.2	2.0	3.5	0.1	25.2
1988	14.5	2.6	2.8	2.0	3.6	*	25.5
1989	13.5	2.7	2.6	2.6	3.2	*	24.6
1990	14.0	3.1	2.6	2.7	3.7	*	26.2

Note: * Indicates an amount less than $50 million. Figures exclude school construction funds and several other infrastructure categories.

Source: Congressional Budget Office, cited in *National Journal*, November 28, 1992.

Is More Infrastructure Spending Needed?

While every American motorist grumbles about potholes, it is unclear that a heavy dose of new federal infrastructure spending is needed. Says Rudolph G. Penner, former director of the Congressional Budget Office, and now at the accounting firm of KPMG Peat Marwick, "From a long-run point of view, I think the problem is much exaggerated." Adds Penner, "I think you've not even seen the effects of the highway act of '83 yet, and we have put more money in there in the 1990 budget agreement, and then we had the surface transportation act [of 1991]."[3]

You should also note that the federal government provides as little as 15 percent of total public infrastructure spending. State and local governments provide the rest.[4] They are, in general, facing financial problems of their

Bush's and Clinton's Planned Infrastucture Spending: Over $230 Billion in the Next Six Years

Fiscal Years	1994	1995	1996	1997	1998	1999	Total
Bush	$25.16	$25.16	$25.16	$25.16	$25.16	$25.16	$151.00
Clinton	20.00	20.00	20.00	20.00	–	–	$80.00
Total	**$45.16**	**$45.16**	**$45.16**	**$45.16**	**$25.16**	**$25.16**	**$231.00**

Sources: Clinton Campaign, *Putting People First*; Intermodal Surface Transportation Efficiency Act of 1991.

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[3] *Ibid.*

[4] Calculation by Steven M. Robinson, Republican Study Committee, using U.S. Department of Commerce statistics.

own. A larger federal contribution thus, in all probability, would not have the impact that you expect. More likely, it would simply permit states and local governments to substitute federal money for their own.

Even if spending more federal dollars on infrastructure made sense, how would you avoid a damaging increase in the deficit? When asked this, Mr. Clinton, you say that you will pay for spending hikes in part by eliminating wasteful government spending. While waste should indeed be cut, you will find this to be one of the most difficult challenges of your Administration. Ronald Reagan, though often accused of making deep cuts in spending, in fact at best slowed the growth of federal spending and eliminated few major programs. George Bush could do little to constrain the deficit. Thus, if you agree to infrastructure spending hikes before the cuts materialize, you will likely increase the budget deficit even more. This is hardly going to improve the economy and create an atmosphere conducive to private investment.

Will Infrastructure Spending Create Jobs?

The federal government should be concerned about the unemployed. The problem is that well-meaning but inappropriate policies help the unemployed little if at all. And major government projects are not generally effective as countercyclical economic policy. Governments often devise policies for the future to solve yesterday's problems. "Emergency" jobs come on line long after they are needed. Infrastructure spending to create jobs is a case in point.

Federal spending on infrastructure is not a good way to put people to work quickly, much less to do so efficiently. For example, a December 1986 General Accounting Office (GAO) report on the Emergency Jobs Act of 1983 was appropriately subtitled "Funds Spent Slowly, Few Jobs Created."[5] The GAO found that over two years after the $9 billion Act was passed in March 1983, only about $4.5 billion had even been spent. This was well into the recovery from the 1981-1982 recession. The GAO noted particularly that "funds for public works programs, such as those that build highways or houses, were spent much more slowly"[6] than funds for other programs.

And this pattern can be expected to occur again. An internal memorandum to Congressional Budget Office Director Robert D. Reischauer shows that spendout rates for federal infrastructure programs tend to be slow for the first year that funds are to be spent.[7] In the first year, for example, on average only 17 percent of federal funds for highways are spent, with 52 percent spent the second year and the remainder spent over the following four years.[8] Only 16 percent of airport improvement funds are spent the first year, with a meager 22 percent spent the second year. Experience shows, Mr. Clinton, that spending may be meant to create jobs during a recession, but the bulk of the funds are likely to be spent well into the economic recovery.

Further, the number of jobs that the 1983 Act supposedly created was minimal at best. The GAO found that the number of jobs attributed to spending under the Act peaked at 35,000 in June 1984, less than one percent of the jobs created in the economy after the Act was passed. The number of jobs attributed to the Act dropped to 8,000 by June 1985.[9] And GAO figures do not take into account employment that might have been lost in other sectors due to the federal government taking more money, in the form of taxes, from individuals and businesses who would otherwise invest it or spend it on their own needs. By comparison, during the height of the economic expansion in the 1980s, the economy was creating some 25,000 net new jobs per day.

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[5] "Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created," Report to the Chairman, Subcommittee on Employment and Productivity, Committee on Labor and Human Resource, U.S. Senate, GAO/HRD-87-1, Washington, D.C., December 1986.

[6] *Ibid.*, p. 3.

[7] Memorandum from Bob Sunshine to Robert Reischauer, November 5, 1992.

[8] Cited in Bruce Ingersoll, "Clinton Economic Stimulus Plan May Be Delayed As Few Transportation Projects Are Ready to Go," *The Wall Street Journal*, November 23, 1992, p. A16.

[9] GAO, *op. cit.*, pp. 4, 22-23.

The GAO also found that most of the additional work created by new spending went to those who already had jobs, not the unemployed. Said the report, "In 8 of 10 programs we surveyed, no more than 35 percent of the people employed as of September 20, 1984, were previously unemployed...."[10] Only 20 percent of the jobs created in the Urban Mass Transportation and Airport Improvement infrastructure categories went to those who were previously unemployed.

As bad is the cost of infrastructure programs per job created. The GAO study, for example, found that as of March 1984, some $25.8 million had been spent to create 466 jobs in the Urban Mass Transportation category.[11] But survey data in the same study found that only 18 percent of the jobs created in mass transit went to persons previously unemployed.[12] This suggests that only 84 of the transit jobs went to the unemployed, at a cost of some $307,000 per job. By contrast, the private sector generally can create such jobs for around $40,000 each.

Bare-Shelf Syndrome. It is not difficult to see why job creation through infrastructure spending would be delayed. It takes time to plan projects that are appropriate to a city, county, or state, and which best serve the interests of the community as a whole. Projects must be developed by engineers, bids must be sought, and contracts must be issued. Thus many local officials do not find themselves in a position to start up projects immediately. The *Wall Street Journal* quotes Ronald Zook, chief engineer for the Ohio Department of Transportation, as saying, "My self is bare." Adds Zook, "It's pretty hard for me to hire 100 engineers on the chance the new administration may do something."[13]

So, Mr. Clinton, the past record suggests that spending more taxpayers' dollars to create jobs will have a minimal and delayed effect at best. It would be no match for the jobs that would be created by the kind of tax cut and deregulatory policies followed in the 1980s.

Pork, Not Investment. You were elected, Mr. Clinton, in part on your promise to reform the current system of federal spending. And spending on infrastructure is an especially egregious example of misallocated resources. More and faster spending federal spending on infrastructure will only perpetuate the system.

If federal funds are distributed to localities faster than they can efficiently be absorbed, the money likely will go to wasteful pork barrel spending. The result will be local projects that help a particular developer or business with good political connections, or padded local transit payrolls. Pork barrel projects and featherbedding, Mr. Clinton, can hardly be called investment.

HOW TO SPUR EFFICIENT INFRASTRUCTURE INVESTMENT

Most federal infrastructure spending currently requires local matching funds. But the matching grant formulas, despite some small changes in the 1991 transportation bill, favor capital projects that often are inappropriate for best dealing with local needs. For example, the federal government will provide some 75 percent of the funds for building a new bridge, but no funds for maintaining an old one. So local governments often find it less costly—for them—to let a bridge deteriorate and be replaced, rather than properly maintaining it so that it will last. Further, because large capital projects, such as subways, create more local jobs than regular maintenance, officials have a incentive to seek such federal funds. But eventually localities often end up stuck with a large, money-losing systems with high maintenance costs.

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[10] *Ibid.*, p. 53.

[11] *Ibid.*, pp. 45, 87.

[12] *Ibid.*, p. 54.

[13] Ingersoll, *op. cit.*

Rather than disbursing millions of new dollars, a better approach would be for your Administration to examine ways in which infrasructure could be provided more efficiently. In many cases infrastructure problems are due to government-imposed regulations. These rules add to costs or block attempts by local governments and the private sector to apply innovative solutions to infrastructure needs. You support the notion of "reinventing government," and have talked about fostering creativity in state and local governments. There are several ways you could encourage this in infrastructure:[14]

Action 1: Suspend the 1931 Davis-Bacon Act, which mandates that higher wages be paid to workers on federally funded construction projects even when adequate, lower wage labor is available.

This law, originally meant to exclude minorities from construction projects during the Depression, drives up the costs of local road construction that is financed even in part with federal money. Davis-Bacon forces up infrastructure costs and assures less infrastructure for the money. And because above-market wages are mandated, fewer workers can be hired for projects.

President Bush used his authority to suspend the Act in Florida, Hawaii, and Louisiana after recent natural disasters. You could do the same, on an emergency basis, for the entire country or, at minimum, for areas of high unemployment, such as inner cities, that are suffering the most from the current government-created economic disaster.[15]

Action 2: Instruct the Transportation Secretary to develop guidelines for selling airports to the private sector and to publicize the benefits of privatization to the local governments that own the airports.

Currently, airports are owned primarily by local governments. Until recently, a technical ruling by the Department of Transportation effectively prohibited any airport that had received federal funds from being sold to private owners. But on April 30, 1992, in Executive Order No. 12803, George Bush removed this barrier. The problem is that Bush never followed through on this change.

What you should do, Mr. Clinton, is instruct your Transportation Secretary immediately to develop guidelines that would allow local governments to sell airports. Further, you should instruct the Secretary of publicize to local governments and airport authorities this privatization option.

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[14] For more details and a inclusive list, see Edward L. Hudgins and Ronald D. Utt, eds., *How Privatization Can Solve America's Infrastructure Crisis* (Washington, D.C.: The Heritage Foundation, 1992).

[15] See Scott Hodge, "Creating Inner-City Jobs By Suspending the Davis-Bacon Act," Heritage Foundation *Executive Memorandum* No. 333, May 21, 1992.

Action 3: Urge Congress to repeal Section 13(c) of the Urban Mass Transportation Act of 1964.

This provision requires local transit authorities to hold special negotiations with transit unions as a condition for federal assistance, forcing wages and transit costs to grow much faster than labor productivity. Its repeal would put transit labor on the same footing as other workers and would remove a major factor that has driven mass transit costs up far above increases in productivity or use of the system by commuters.

Action 4: Work to remove federal government barriers to the privatization of roads.[16]

Many roads could be better maintained by private owners charging tolls to users. Maintenance also might be financed by a private owner charging for use of the rights-of-way to public utilities for pipelines or phone wires. Merchants might be charged a fee for the right to establish outlets on rights-of-way.

The problem is that federal regulations make it impossible to sell roads to the private sector. You should, Mr. Clinton, instruct your Transportation Secretary to develop guidelines for privatizing roads and seek appropriate legislation where necessary.

Action 5: Urge Congress to remove bans on blending private and public funds for road projects.

There are cases when, short of privatization, a government-business partnership could provide much-needed roads. But federal grant policy generally prohibits use of private funds in projects receiving federal funds. The Surface Transportation Act of 1987, for example, authorized funds for seven demonstration projects—but explicitly stated that they be fully publicly owned and operated. You should ask Congress to amend the condition for highway grants to allow private sector participation.

Edward L. Hudgins, Ph.D.

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[16] See Terree P. Wasley, "A Private Sector Foundation for Roads and Bridges," in Hudgins and Utt, *op. cit.*

Mr. **DeLay**. Just one last question. Can you define for me very quickly what a crisis is and is this a crisis we are in?

Mr. **Mitchell**. I think perhaps it is more of a political issue in that a recovery is ongoing and the present administration would like to take credit for that recovery after the fact by passing this legislation that is not—I mean I don't think it is a good piece of legislation, but in the overall scheme of things it will not bankrupt the country. I think they want to say we passed this piece of legislation in March of 1993 and, therefore, we are responsible for the economic recovery which began, of course, before they ever passed their legislation.

Mr. **Bartlett**. It is a judgment call. I certainly don't think we are in a crisis right now.

Mr. **Hulton**. Nor do I.

Mr. **DeLay**. Thank you, Mr. Chairman.

SUPPORT OF AMTRAK REQUEST

Mr. **Carr**. Thank you, Mr. DeLay, and without objection the piece that you cited will be put in the record. If there is no objection, I have an unusually short and concise three-paragraph statement of our colleague from Indiana, the Honorable Andy Jacobs. We would like to include this in the record.

[The prepared statement of the Hon. Jacobs follows:]

CONGRESS
of the
United States of America
Ways and Means Committee

Andy Jacobs, Jr.

STATEMENT OF THE HONORABLE ANDY JACOBS, JR.
TO THE SUBCOMMITTEE ON TRANSPORTATION APPROPRIATIONS
February 23, 1993

I hope that the Transportation Subcommittee sees its way clear to recommend the additional funds for AMTRAK this year.

AMTRAK has been on a steady track towards independence and improvement of the equipment of AMTRAK arguably can help it complete its trip toward that independence much more quickly.

In other words I think the Administration's recommendation is in the best interest of ultimate government cost-cutting by sending AMTRAK more quickly on its way to independence.

Thank you for allowing this testimony.

2313 Rayburn Building, Washington, D.C. 20515

THE ROAD TO PEACE IS PAVED WITH JUSTICE

UNEMPLOYMENT RATES AND THE ECONOMY

Mr. CARR. Mr. Price?

Mr. PRICE. Thank you, Mr. Chairman. Mr. Bartlett, as I read your testimony, you are telling us that the recession ended two years ago?

Mr. BARTLETT. That is—as you know, the National Bureau of Economic Research in Cambridge, Massachusetts, is I don't know quite why, for historical reasons I guess, the arbiter of deciding the precise dates of recessions and that is what they say.

Mr. PRICE. Furthermore you say that recent economic data show no evidence of weakness whatsoever in this economy.

Mr. BARTLETT. Speaking about real GDP growth and macroeconomic indicators.

Mr. PRICE. Well, is the civilian unemployment rate potentially a sign of weakness?

Mr. BARTLETT. It is—I think that one has to return to what Dan said, that the history of all business cycles is that the unemployment rate tends not to rise with the decline in unemployment because employers are reluctant to lay off workers. They don't always recognize the signs of recession in terms of their own businesses for some time afterwards and it is only very reluctantly they lay people off. And on the upside, they often don't believe the signs of recovery are firmly established until some time after the recovery has begun, and so in the short run they tend to work the existing labor forces more in terms of overtime, and not hire new workers.

This has happened in every single recession and that is what is happening in this recession, and I think all the data you are seeing increases in work hours for existing employees. You are seeing rising productivity, which is what you would expect if you were working, getting more output from the same size of labor force, but at some point you run into a bottleneck and things and you have to hire new employees, and I think we are starting to see some of that. So I think really this is a much more typical recession than some people think it is.

Mr. PRICE. It is typical for two years after the recession ends? It is typical to have a civilian unemployment rate that is higher two years later than it was at the date the recession ended; that is typical?

Mr. BARTLETT. Perhaps not typical but not unusual.

Mr. PRICE. I thought you said it was typical. I also thought you said there was no sign of weakness whatsoever in this economy. Civilian unemployment rate that is higher two years after the end of the recession than it was on the day you declared the recession to be at an end; that is not a sign of weakness?

Mr. BARTLETT. Not necessarily.

Mr. PRICE. No?

Mr. BARTLETT. No.

Mr. PRICE. What about the ratio of permanent job losses to total unemployed; is that a sign of weakness?

Mr. BARTLETT. It would be, but it is very hard to measure those kinds of things.

Mr. PRICE. We do have measures and that, too, is up, up considerably over the past two years since you declared this recession to be at an end. That is not a sign of weakness, though.

Mr. BARTLETT. Not necessarily. To me it is mainly a sign of restructuring of existing industry. I think you are seeing—I think Professor Hulton mentioned some of these items. You are seeing significant layoffs in the defense industry that are simply the result of cutbacks in defense spending. That is part of the restructuring of the Federal budget and it is part of the restructuring of the U.S. economy.

Mr. PRICE. Well, this is a trend that has been under way for really the two years since you declared this recession to be at an end. It is quite a steep trend.

Let's say it would continue for two years more, would that be a sign of weakness?

Mr. BARTLETT. Well, I think certainly if we, I mean it depends on what GNP growth is. We have had the average growth for the last 25 years is about 2.5 percent. And we have had almost twice that in the latter half of 1992, and there is a lot of signs that this growth rate will continue. It is inconceivable to me we could have those kind of growth rates without it having a major impact on unemployment; that is causing unemployment to decline.

Mr. PRICE. Would you have said, in all candor now, that two years ago when you declared this recession to be at an end, that today we would have higher civilian unemployment than we had in March of 1991; that two years later the ratio of permanent job losses to total employment would have climbed steeply; this is what a recovery normally brings us? This is what a recovery is all about?

Mr. BARTLETT. Well, for one thing, we are not really in a recovery phase anymore. We are in an expansion phase.

Mr. PRICE. What is the difference now?

Mr. BARTLETT. The GNP level is now above what it was at the peak of the last, at the business cycle peak.

Mr. PRICE. So not only is the recession over but the recovery is over.

Mr. BARTLETT. That is right. We are now in an expansion.

Mr. PRICE. We have recovered, you are saying, and now we are expanding?

Mr. BARTLETT. Economists also measure these in terms of levels of GDP.

Mr. PRICE. That is part of the problem here. When you say there is no level of weakness in this economy, when you say the recession ended two years ago, that we are recovered and now we are expanding, and yet the figures show us that more people are unemployed now than when the recession ended. When the figures show that permanent job loss to the unemployment rate is steeply climbing, you will forgive me if a layman doesn't understand what the economists are talking about.

Mr. BARTLETT. Well, the unemployment rate is declining. The number of jobs is increasing. It is a question of what is happening to the labor force, what is happening to productivity and a lot of other things.

We don't even know what the full rate of employment is. There is a lot of different estimates of it. Most of them are in the 5 to 6 percent range which suggests they are not very far above what economists would consider to be full employment.

Mr. PRICE. So your basic prescription is the less done the better.

Mr. BARTLETT. Well I don't think there is any reason to rush ahead with a stimulus program. As I said earlier I agree with what the chairman said that we really ought to be talking about long-term investment, and the role the public sector can play in terms of long-term investment and the role of infrastructure in the economy and not talk about jobs programs, because I think the history of these kinds of things is they don't work very well.

INFRASTRUCTURE SPENDING AND ITS EFFECTS ON THE ECONOMY

Mr. PRICE. Well, we do need some help, obviously, in sorting out more and less productive infrastructure investments among other things. We really don't need a lot of dogmatic pronouncements that all public spending is wasteful. We need some help in discriminating between more or less productive kinds of public investment.

So, let us try to move to that ground and I wonder if you could give us some help here. The CBO—I am referring to their July 1991 report, "How Federal Spending for Infrastructure and Other Public Investments Affects the Economy"—is rather skeptical about highway spending and its effect on the economy, as you know. But they do say that maintenance activities offer a relatively high return, something like 30 to 40 percent return, and urge some shift in that direction. Presumably that might have some implications for the way we design a short-term package.

Do you think those findings are essentially correct; do you think that points in a positive direction?

Mr. BARTLETT. Offhand, yes, I would, but Professor Hulton is really the expert on that subject.

Mr. HULTON. Well, I wouldn't offer myself as a tremendous expert, but I think that I agree very much that we should not look at all public spending as inherently unproductive, but I think we have to also recognize that many of the problems that we are talking about today in terms of payment deterioration, bridge deterioration were the result of poor policies in the past. And as I said in my statement I think we should be concentrating a lot more on how we design programs and designing management systems than we should be talking about new spending initiatives at this point.

There is a good deal of money in ISTEA ultimately that could be used for this purpose. It is not clear to me that we need to be talking about major new spending programs to accommodate the kind of spending that would be suggested by the CBO report.

ISTEA AUTHORIZED LEVELS AS A GOOD INITIATIVE

Mr. PRICE. You thought ISTEA basically was a good initiative, though.

Mr. HULTON. Well, yes, on balance I thought it was a very good initiative. It started at least a dialogue about management systems in targeting spending to areas that are problems. I would have liked to have seen lower matching grant rates, but I think that

that would increase accountability if there was more local money in the projects. On balance, yes, I thought ISTEA made a start.

Mr. PRICE. Well, there clearly are wide and disturbing variations in the amount of local and State effort and part of our infrastructure problem clearly resides at that level. We have had testimony before this subcommittee that confirmed that. That, of course, doesn't resolve the issue of what we do now in terms of addressing these problems in the short term.

Now, isn't it true that the short-term spending that the administration has proposed does fit within the ISTEA authorization levels?

Mr. HULTON. From the facts that I got yesterday, that appears to be the case.

Mr. PRICE. So what we are talking about is full funding of the ISTEA legislation. President Bush, you will recall, proclaimed ISTEA a great bill; an important investment in this country's economic future. Would any of you disagree with that characterization of this legislation or the desirability of funding ISTEA at something like the authorized levels?

Mr. MITCHELL. I would.

Mr. PRICE. Let me ask you first, since you——

Mr. HULTON. Yes, I think that that would certainly be—put it this way, I have no reason to think it is undesirable. I believe we do have to pay a lot of attention to keeping the quality and the quantity of our infrastructure capital appropriate to the needs of economic growth.

I would say, however, in response to your comment about the spending plan for 1993, that trying to accelerate the spending on maintenance may be counterproductive in the 60-day use-it-or-lose-it; that projects are hunted up mainly on the basis of their ready-to-go nature and not in terms of their ability to solve our longer-term problems.

Mr. PRICE. Well, that is fair enough, but that speaks more to the way that it is implemented and the way it is managed than to its desirability if we can do it right. This kind of funding would be desirable, this kind of living up to the ISTEA commitment.

Either Mr. Bartlett or Mr. Mitchell care to comment on the desirability of trying to approach the authorization levels of the ISTEA legislation?

Mr. MITCHELL. The issue isn't whether or not you fully fund the authorization levels, it is what happens to the total level of government spending.

Mr. PRICE. I am asking about the authorization level for this particular kind of spending. You know it is not helpful to have dogmatic pronouncements about government spending being evil or bad or counterproductive, although some government spending is productive and some is counterproductive and that is what we want to sort out here.

Mr. MITCHELL. There is a whole range of rates of return for government spending. My point is simply that at the current levels and at the projected levels in the Clinton budget government is well beyond the level at which it would maximize economic growth and there is a whole range of economic literature on the size of government and economic growth that indicates that our government is too big for economic growth.

Now, within government spending as a big pie, how you slice it up does have some impact and, clearly, infrastructure spending probably on average has a much higher rate of return than some of the other spending in the Federal budget. The question, however, should not be, well, let us simply increase infrastructure spending. It is whether you increase infrastructure spending and you make it at the expense of other parts of the Federal budget because it is the total level of Federal spending that takes those resources out of the economy, whether you debt finance or tax finance those. So it is very important not just how you slice the pie but the size of the pie on Federal spending.

Mr. PRICE. We realize that, and on the Budget Committee and other committees we are dealing with that, and we will come to grips with our piece of it here. I think most of us realize that we need to cut spending and that any credible deficit reduction plan is going to have to have a large and convincing component of spending reduction.

The President has made several pages of suggestions and I am sure we will have more from this body. But that is not quite the question we are asking you today. We are asking you about transportation spending, about the jurisdiction of this subcommittee, and how we can wisely play our part in bringing this economy back. And so we do need some help beyond just pronouncements about spending being harmful. We need some advice as to what kind of spending might be more and less productive. That is what I am trying to get at. We had a very useful set of hearings, Mr. Chairman, I thought, at the beginning of this session where a range of economists talked about just that.

The CBO report is helpful, and we are trying to ask if you can make some kind of more specific contribution to that discussion.

Mr. MITCHELL. The specific contribution is that I cannot imagine it would be helpful for the economy to increase transportation spending above the current baseline levels.

If you look into the historical tables of the budget transportation spending in constant dollars, it is at an all-time high. You also have to take into account the work of people like John Tatum at the St. Louis Fed that points out increased Federal infrastructure spending tends to be at the expense of State and local spending, and you get no increase in the economy. All you do is worsen the Federal budget picture.

Those are issues that have to be addressed when you are looking at putting together the portion of the package that the subcommittee is responsible for.

Mr. PRICE. There again we do require a match. Perhaps we need to require a better designed match. There are ways to design policies so those trade-offs don't materialize, aren't there?

Mr. MITCHELL. It would be a wise policy to increase the level, the financial commitment that States and localities have to make, and if in doing so you could therefore increase the total level of infrastructure spending in the economy without increasing Federal outlays by one dime. Indeed if you changed the ratios enough you could cut Federal spending in transportation and still have more infrastructure spending, assuming States and localities actually then felt the different projects that they like at current ratios they would still like if they were required to pony up more of the money.

Mr. DeLay. Particularly, if you repeal Davis-Bacon.

PUBLIC VS. PRIVATE INVESTMENT

Mr. Price. You, of course, made a brief statement today and it is not reasonable to expect you to dot all the I's and cross all the T's, but you made some sweeping statements about public versus private investment. I jotted down a quote to the effect that private investment was always more efficient than public investment. Maybe you didn't say exactly that but something very close to that.

Presumably that means that you would look very skeptically at all elements of this spending proposal even those your fellow economists have pronounced quite efficient in the long run. Childhood vaccinations, early childhood education, women, infant, and children's nutrition program, do you mean to include all of that in that kind of blanket condemnation of public investments as inherently less efficient than private?

And, of course, in the transportation area, surely that is one area where we need public investment; do we want only privately administered toll roads? I don't know where you are going with that kind of statement and what the specific practical implications are for the work of this subcommittee.

Mr. Mitchell. Well, I think the specific implications are simply that given the current level of Federal spending, additional Federal spending is not going to be a net plus for the economy.

That does not mean that it might not be a wise idea to go back and reorder priorities, something that is within the realm of the budget committee and reconciliation legislation and not within this subcommittee, but it is very hard to talk about the issues raised in the subcommittee without looking at overall Federal spending and the implication that has for the economy.

I didn't particularly come to this hearing prepared to discuss every single element of Clinton's program. But I think almost all of it is not cost-effective. Everybody cites Head Start as a wonderful program. Republicans even get on the Floor and talk about it. You look at a lot of the academic research and the defenders of Head Start, the ones that know and do the research. They don't pretend the program works. They all say the results disappear after a couple of years. Their answer is different from mine. They say you need to extend Head Start in second, third, fourth grade so on and so forth. They want to expand the program, but they agree the current program doesn't have any lasting effects.

I suspect—yes, I have a philosophical bias. I would suspect almost every Federal program that has had the compassion that Head Start had you would find a lot of shortcomings.

Mr. Price. Let's be clear about what we are doing, though, with this economic package. We are not holding harmless the full range of Federal activity, not at all. There are spending cuts and there will be more. We are talking about not just spending more or less, but spending smarter. I hope that is what we are talking about. I think that is what we should be striving for in this subcommittee. So we do need to look at that mix of Federal activity and ask what pays greater and less dividends, and we do need help with that rather than these general ideological pronouncements about public and private spending.

Mr. Chairman, I have taken too much time. Thank you.

Mr. CARR. We thank you for coming and shedding some light on the problem in front of us. Like I said before, I don't personally look at our portion of this so-called stimulus package as stimulus or job creation. I look at it as producing good investments for America and that is what we want to try to figure out how to do. The President did indicate that he wanted more of our overall government spending toward investments and less toward consumption, and by that in a variety of remarks and speeches he has made, he looks at transportation as being an investment.

Most of the investment we make in this bill is goods and services and the construction of capital assets from resources in the private sector. Very few people in this transportation portion of the bill are going to be put to work on government payrolls. They are going to be hired by contractors and by bus manufacturers and the like.

I think we also understand that certain things in the Federal Government in terms of spending get defined as investment and they are really not investment. People sort of rush to define whatever spending they like by the current platinum definition. So if you are just spending on consumption, but if you want to get more money you call it investment, and I think we are game to that. But there is very little of that in this particular bill. So whatever discussions we have about what is really investment and what is really consumption really didn't fall in this Committee. We thank you very much.

Mr. WOLF. Would the gentleman yield. Let me thank the panelists, too, for coming and to follow up on the one comment Mr. Mitchell made.

I am the Ranking Member on the House Select Committee on Children Youth and Families and I have been a strong supporter of the Head Start Program, but Mr. Price, he makes a good point because Dr. Ziegler, who established the Head Start Program, has raised questions about continued expansion without looking at the program.

Also, I don't know if you were here, Mr. Mitchell pointed out that this program may actually be a net job loss program and, thirdly, I think maybe the best thing we can do to help the Clinton administration would be to keep this program from passing, because I think we will probably do more to hurt the economy.

And, lastly, speaking for myself, David Broder's column today covers the Clinton administration's developing trust problem. They talk one way and when you hear the speech it sounds very good, but when you get into the details, it looks different.

Newsweek talks about the tax increases, coming first with the spending cuts later. I think the gentleman made a good point with regard to this program. It probably will not be that helpful with regard to what the administration wants to do. It may actually hurt.

Mr. PRICE. If we are going to get into that broader debate, let me say if we had more time and had a little broader mandate here, we might want to talk about what is happening with interest rates and talk about Mr. Greenspan's comments. If we wanted to get into that broader discussion, I think that could be quite interesting, quite useful.

My point here is much more limited, and that is on this committee we have some very practical concerns not just about spending more or less, but about spending smarter, about making the kinds of investments that will pay off for this economy in the future. And I just hope that we can enter into this period of deliberation in that spirit, trying to identify what kinds of investments will truly pay off for our country.

CLOSING REMARKS

Mr. CARR. I thank you gentlemen for your comments. I would just merely note for the record for anyone who actually picks up one of these large volumes and reads it that a lot of the discussion today, both in questions to the witnesses, and yesterday had a lot to do with the overall package that has been presented to the Congress by the President rather than our portion of it. I thought the witnesses were all very responsive. I want to take great pains again to say that the portion that we are dealing with is fundamentally different than most of the rest of the package that is being considered by other subcommittees.

The testimony and the questions have not always reflected that, so I want to put that caveat in the record so if anyone, like I say, actually reads what we say here, they will know what was going on.

Anyway, with that, this hearing is adjourned.

[Prepared statement from the Coalition for Recreational Trails follows:]

U. S. HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE

Hearing of the Subcommittee on Transportation
February 22, 1993

Testimony of Roy W. Muth, Chair
Coalition for Recreational Trails

Mr. Chairman and members of the Subcommittee, the National Recreational Trails Fund Act, Title I, Part B of the Intermodal Surface Transportation Efficiency Act of 1991 (PL102-240), established the National Recreational Trails Trust Fund. The act authorized a transfer of revenues to the trust fund in amounts which correspond to receipts from nonhighway recreational fuel taxes.

The Coalition for Recreational Trails (CRT) was formed in January 1992 for the sole purpose of ensuring adequate funding for the National Recreational Trails Trust Fund. CRT's members are primarily national organizations, now numbering twenty-six, which represent the interests of trail users -- both nonmotorized recreationists and motorized recreationists. A membership roster is attached to this statement.

The authorizing legislation sets an annual limitation on obligations of $30 million for FY 1992 through FY 1997. In FY 1992, no funds were appropriated; in FY 1993, only $7.5 million was appropriated. Therefore, of the potential $60 million that could have been used on trails projects, currently only $7.5 million is available -- a $52.5 million shortfall.

An ongoing CRT survey, which has produced responses from 26 states to date, indicates a need for funding current trail projects totaling $115.4 million. As an example, the Michigan Department of Natural Resources, in addition to identifying projects with funding needs totaling $1,810,000, reported the following:

> "We are pleased that Michigan received more dollars for this fiscal year than any other state: but we could easily spend our $398,000 several times over. Competition for these funds will be fierce. Existing trails on state and local lands are in dire need of renovation and maintenance, and our entire allocation could easily be used for this purpose. In fact, this amount and more could be used every year for trail maintenance, leaving nothing for new trails. Yet, the state and local units are pursuing many large trail projects and could use our entire allocation on any one of several projects. Also, funds are needed to expand appropriate opportunities for motorized off-road vehicles and restore and protect lands damaged in the past by trail use."[1]

A summary of the state responses is attached to this statement.

The trail systems and projects that would be developed or restored through the trails trust fund will have significant recreational and environmental value. Equally important is the economic impact of the projects funded by the Act. These projects will help create new jobs, enhance property values, expand local businesses and increase local tax revenues.

Mr. Chairman, we urge your leadership and that of the Subcommittee in providing a $52.5 million supplemental appropriation for the National Recreational Trails Trust Fund so that the badly needed investment in these vital recreational resources can begin at once.

Thank you.

[1] Source: Letter dated January 29, 1993 from Michael D. Moore, Deputy Director, Resource Management, Michigan Department of Natural Resources

Trail Projects Eligible for Funding Under the National Recreational Trails Fund Act

Current Funding Needs

Alaska	$ 625,000
Arizona	6,266,000
Colorado	5,417,332
District of Columbia	1,200,000
Delaware	30,000
Florida	4,100,000
Georgia	212,000
Illinois	575,000
Indiana	3,500,000
Iowa	2,259,603
Kentucky	512,096
Maryland	1,109,500
Michigan	1,810,000
Missouri	578,384
New York	2,500,000
North Carolina	8,781,000
North Dakota	2,255,665
Ohio	670,270
Oklahoma	182,850
Oregon	156,000
Pennsylvania	68,600,000
South Carolina	750,000
Vermont	1,000,000
Virginia	1,000,000
Wisconsin	1,116,500
Wyoming	225,000
TOTAL	**$115,432,200**

NOTE: Individual state data is available from the Coalition for Recreational Trails on request.

Coalition for Recreational Trails
Suite 310
3975 University Drive
Fairfax, Virginia 22030
Tel: (703) 273-9606
Fax: (703) 273-9271

Coalition for Recreational Trails
Membership Roster
National

American Hiking Society
P.O. Box 20160
Washington, D.C. 20041-2160
Tel: (703) 385-3252
Fax: (703) 754-9008
Ms. Susan A. Henley
Executive Director

American Horse Council
1700 K Street, N.W.
Washington, D.C. 20006
Tel: (202) 296-4031
Fax: (202) 296-1970
Mrs. Amy W. Mann
Director of Sport and Recreation

American Motorcyclist Association
1225 Eye Street, N.W. #560
Washington, D.C. 20005
Tel: (202) 682-4750
Fax: (202) 789-0406
Mr. James Bensberg
Washington Representative

American Recreation Coalition
1331 Pennsylvania Ave., N.W.
Suite #726
Washington, D.C. 20004
Tel: (202) 662-7420
Fax: (202) 662-7424
Mr. Derrick A. Crandall
President

American Trails
c/o Montana Division of Fish, Wildlife and Parks
1420 East 6th Avenue
Helena, Montana 59620
Tel: (406) 444-4585
Fax: (406) 444-4952
Mr. Robert Walker
Chair

2/93

American Volkssport Association
5457 Enberend Terrace
Columbia, Maryland 21045
Tel: (410) 992-4665
Fax: None
Mr. Julian Bauer
President

Back Country Horsemen of America
4408 Wible Road
Bakersfield, California 93313
Tel: (805) 832-1150
Fax: (805) 832-0971
Mylon Filkins
Chairman

Bicycle Institute of America
1818 R Street, N.W.
Washington, D.C. 20009
Tel: (202) 332-6986
Fax: (202) 332-6989
Mr. William C. Wilkinson III
Executive Vice President

Bikecentennial
629 Gist Avenue
Silver Spring, Maryland 20910
Tel: (301) 585-4706
Fax: (301) 587-1239
Ms. Kit Keller
Member Representative

Blue Ribbon Coalition
P.O. Box 5449
Pocatello, Idaho 83202
Tel: (208) 237-1557
Fax: (208) 237-1566
Mr. Clark L. Collins
Executive Director

Cycle America Regional Directories
147 S. River Street #222
Santa Cruz, California 95060
Tel: (408) 426-7702
Fax: (408) 425-8533
Mr. Martin Krieg
Publisher

International Association of Snowmobile Administrators
c/o Utah Division of Parks and Recreation
1636 W. North Temple
Salt Lake City, Utah 84116
Tel: (801) 538-7342
Fax: (801) 538-7315
Mr. Scott A. Behunin
Chairman

International Mountain Bicycling Association
P.O. Box 412043
Los Angeles, California 90041
Tel: (818) 792-8830 (m ofc.)
Fax: (818) 796-2299 (m ofc.)
Tel: (818) 704-7396
Fax: (818) 704-4827
Mr. Jim Hasenauer
President

International Snowmobile Industry Association
3975 University Drive #310
Fairfax, Virginia 22030
Tel: (703) 273-9606
Fax: (703) 273-9271
Mr. Roy W. Muth
President and Chief Executive Officer

The League of American Wheelmen
1400 16th Street, N.W. #710
Washington, D.C. 20036
Tel: (202) 462-8376
Fax: (202) 232-2617
Mr. Allen Greenberg
Government Relations Director

Motorcycle Industry Council
1235 Jefferson Davis Highway
Arlington, Virginia 22202
Tel: (703) 521-0444
Fax: (703) 521-1023
Mr. Robert M. Dingman
Government Relations Specialist

National Association of State Trail Administrators
c/o Division of Parks & Outdoor Recreation
1313 Sherman Street, Room 618
Denver, Colorado 80203
Tel: (303) 866-3203 ext. 306
Fax: (303) 866-3206
Mr. Stuart H. Macdonald
Co-Chair

Virginia Department of Conservation and Recreation
203 Governor's Street #326
Richmond, Virginia 23219
Tel: (804) 786-4493
Fax: (804) 786-6141
* Alternate for Stuart Macdonald
Ms. Angela LaCombe *

National Campers and Hikers Association
4555 North 24th Street
Arlington, Virginia 22207
Tel: (703) 524-6998
Fax: None
Mr. Edwin Kibler
National Legislative Director

National Recreation and Park Association
2775 South Quincy Street #300
Arlington, Virginia 22206-2204
Tel: (703) 578-5540
Fax: (703) 671-6772
Mr. R. Dean Tice
Executive Director

The Rails-to-Trails Conservancy
Suite 300
1400 16th Street, N.W.
Washington, D.C. 20036
Tel: (202) 797-5400
Fax: (202) 797-5411
Ms. Marianne Fowler
Government Affairs Manager

Recreation Vehicles Dealers Association
3251 Old Lee Highway #500
Fairfax, Virginia 22030
Tel: (703) 591-7130
Fax: (703) 591-0734
Mr. Robert Strawn
President and Chief Staff Executive

Specialty Vehicle Institute of America
1235 Jefferson Davis Highway
Arlington, Virginia 22202
Tel: (703) 521-0444
Fax: (703) 521-1023
Mr. John W. English
Director, State Government Affairs

Student Conservation Association
1800 North Kent Street #1260
Arlington, Virginia 22209
Tel: (703) 524-2441
Fax: (703) 524-2451
Mr. T. Destry Jarvis
Executive Vice President

United 4 Wheel Drive Association
R.D. #2, Box 190
Felton, Pennsylvania 17322
Tel: (717) 246-2162
Fax: (717) 244-1693
Mr. Dave Hook
Director, Environment Affairs

Ski Industries America
8377B Greensboro Drive
McLean, Virginia 22102
Tel: (703) 556-9020
Fax: (703) 821-8276
Mr. Roger Lohr
Manager of Education

Regional, State, Local Members

Laurel Lake Dirt Riders Club
312 Dandilion Road
Millville, New Jersey 08332
Tel: (609) 327-8752
Mike Rain
President

Northern Virginia Trail Riders
8313 Accotink Road
Lorton, Virginia 22079
Tel: (703) 339-5131
Robert E. Hammond
President

Planning Department
Operations Building
Virginia Beach, Virginia 23456
Tel: (804) 427-4621
Fax: (804) 426-5667
Ms. Christine Breddy

Virginia Volkssport Association
5505 Helmsdale Lane
Alexandria, Virginia 22310
Tel: (703) 922-1885
Mr. Ronald P. Hamner
President

Michigan Snowmobile Association
5181 Plainfield, N.E., Suite C
Grand Rapids, Michigan 49505
Tel: (616) 361-2285
Mr. Richard Krupp
President

Colorado Snowmobile Association
2350 Stoneridge Drive
Colorado Springs, Colorado 80919
Tel: (719) 593-0711
Mr. Jack Sheets
President

Carroll County Equestrian Council
c/o Carroll County Dept. of Recreation and Parks
125 N. Court Street
Suite 205
Westminster, Maryland 21157
Tel: (410) 857-2103
Jeff Degitz

Federal Liaison

Forest Service
U.S. Department of Agriculture
P.O. Box 96090
Washington, D.C. 20090
Tel: (202) 205-1408
Fax: (202) 205-1145
Mr. Brent Botts
Developed Site Program Manager

U.S. Army Corps of Engineers
HQUSACE
CECW-ON
Washington, D.C. 20314-1000
Tel: (202) 272-0247
Fax: (202) 272-1671
Mr. Darrell E. Lewis
Chief, Natural Resources Management Branch

Department of the Interior
1849 C. Street, N.W.
Washington, D.C. 21240
Tel: (202) 208-4502
Fax: (202) 208-7969
Kathleen S. Kilpatrick
Special Assistant to the Assistant
Secretary for Policy, Management and Budget

Bureau of Land Management
U.S. Department of the Interior
1849 C Street N.W., Room 3360
Washington, D.C. 20240
Tel: (202) 208-6064
Fax: (202) 208-4819
Ms. Elizabeth R. Owen
Trails Program Manager

National Park Service
Recreation Resources Assistance
Division - 782
U.S. Department of the Interior
P.O. Box 37127
Washington, D.C. 20013-7127
Tel: (202) 343-3778
Fax: (202) 343-3682
Mr. D. Thomas Ross
Chief, National Trails System Branch

Federal Highway Administration
Room 3233 (HEP-50)
400 7th Street, S.W.
Washington, D.C. 20590
Tel: (202) 366-5013
Fax: (202) 366-3713
Mr. Christopher Douwes
Recreational Trails Program Manager

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